

2-3-10-51

860534

**1985 REPORT OF THE
TASK FORCE TO EXAMINE
THE SCHOOL CONSTRUCTION PROGRAM**



NOVEMBER 1, 1985

ANNAPOLIS, MARYLAND

***1985 REPORT OF THE
TASK FORCE TO EXAMINE
THE SCHOOL CONSTRUCTION PROGRAM***



NOVEMBER 1, 1985
ANNAPOLIS, MARYLAND

For information concerning content or
for copies of this report, contact:

Department of Fiscal Services
Maryland General Assembly
90 State Circle, Room 200
Annapolis, Maryland 21401

Telephone from Baltimore/Annapolis Area: 841-3761
from Washington Area: 858-3761

**TASK FORCE TO EXAMINE
THE SCHOOL CONSTRUCTION PROGRAM**

Members

Honorable William S. James, Treasurer
Task Force Chairman

Honorable Raymond E. Beck
Member, Maryland State Senate

Honorable Constance Lieder
Secretary of State Planning

Honorable John C. Coolahan
Member, Maryland State Senate

Honorable Wendell H. Phillips
Member, Maryland House of Delegates

Honorable Gene W. Counihan
Member, Maryland House of Delegates

Marilyn J. Praisner
Maryland Association of Boards
of Education

Honorable Dennis C. Donaldson
Member, Maryland House of Delegates

Dr. Francis A. Ruffo
Superintendent of Schools
Worcester County

Dr. Robert Y. Dubel
Superintendent of Schools
Baltimore County

Fred K. Schoenbrodt, President
State Board of Education

Robert Embry
Baltimore City Board of Education

Honorable Earl F. Seboda
Secretary of General Services

Thomas M. Fox
Comptroller of Frederick County

Honorable Robert R. Staab
Member, Maryland House of Delegates

Honorable John G. Gary
Member, Maryland House of Delegates

Honorable H. Louis Stettler, III
Secretary of Budget & Fiscal Planning

David W. Hornbeck
Maryland Superintendent of Schools

Richard A. Winkler
Director of Finance, Charles County

Honorable Nathan C. Irby, Jr.
Member, Maryland State Senate

Honorable Thomas M. Yeager
Member, Maryland State Senate

Honorable Sidney Kramer
Member, Maryland State Senate

Department of Fiscal Services Staff

Barbara A. Klein, Staff Coordinator
Steve Feinstein
Fred Puddester

**Interagency Committee - Public
School Construction Program Staff**

Dr. Yale Stenzler
Executive Director

Report Preparation

Nancy L. Redelius
Department of Fiscal Services



TASK FORCE TO EXAMINE THE SCHOOL CONSTRUCTION PROGRAM
90 State Circle . Room 226 . Annapolis, Maryland 21401-1991
BALTIMORE/ANNAPOLIS: 841-3710 D.C. METRO: 858-3710

November 1, 1985

Governor of Maryland, The Honorable Harry Hughes
Members, Board of Public Works of Maryland
Presiding Officers, Maryland General Assembly

The Task Force to Examine the School Construction Program is pleased to submit its final report in response to Governor Hughes' charge to make recommendations concerning the future operation of the Public School Construction Program by November 1, 1985.

Thanks to the diligence and devotion of our members, a substantial amount of material was reviewed and considered in preparing ourselves to deliberate the specific issues of our charge. Our work included: a review of the history of funding of public school construction in Maryland; an examination of the operation, accomplishments, and cost of the School Construction Program; and consideration of Program funding requests, needs, and financing proposals in light of affordability. The report presents the detailed information considered in each of these areas.

The willingness of our members to compromise and work toward the common end of continuing to provide quality educational facilities throughout the State enables us to present findings and recommendations which we believe you will be able to support and effect.

The Task Force compliments the excellent and efficient staff work of Dr. Yale Stenzler and Ms. Barbara Klein for providing us with the basic informational material from which we were able to develop our findings and recommendations.

The Task Force thanks those individuals who participated at our public hearing or who offered written testimony for our consideration. Their comments helped us to better appreciate the issues which confronted us.

In conclusion, we trust that our recommendations will result in the combined State-local effort essential for meeting the needs of the School Construction Program.

Respectfully,

William S. James
Treasurer William S. James
Chairman

TABLE OF CONTENTS

	<u>Page</u>
Roster of Task Force Members	iii
Letter of Transmittal	v
Table of Contents	vii
Executive Summary	ix
Introduction	1
Historical Background - Public School Construction Program	3
Administration and Operation of the School Construction Program	11
Accomplishments of the School Construction Program	15
Cost and Impact of the School Construction Program	17
Existing Conditions of the Program	23
Evaluation of Requests	29
Public Testimony	33
Proposed Options	37
Findings	41
Recommendations of Task Force	45
Minority Statements	49
Exhibits	55
Appendix A - Rules, Regulations, and Procedures for the Administration of the School Construction Program	75

EXECUTIVE SUMMARY

Charge

The Governor appointed the Task Force to Examine the School Construction Program: (1) to examine both the scope of the Public School Construction Program, and the requests and projected needs under the Program; and (2) to recommend future State participation levels in school construction funding and policies for financing public school construction and renovation.

Program Accomplishments and State Costs

Since the Program's inception in 1971, over 700 projects have been completed, consisting of the construction of new facilities or the renovation and modernization of existing buildings which were physically/educationally obsolete. State Program costs consist of two elements: (1) new Program funding for the full approved cost of all construction since July 1, 1971; and (2) grants to the subdivisions for local debt obligations assumed by the State for construction prior to June 30, 1967. Actual Program costs, as of June 30, 1985, have totaled \$1.7 Billion. Outstanding State debt service cost for bonds authorized under the Program, (as of June 30, 1985) total almost \$1.5 Billion.

Local Program Costs

The Interagency Committee, which administers the Program, estimates that the typical local costs for school construction projects presently range between 4 and 22% of total project costs, excluding site acquisition cost. Changes in the Program Rules and Regulations have directly affected the State-local shared cost relationship.

Funding Requests and Needs

From Fiscal Years 1972-1986, Program funding requests have totaled \$3.09 Billion, while authorizations have totaled \$1.49 Billion (or 48% of requests). The Task Force based projected needs on the latest Capital Improvement Program requests (submitted in October, 1984). For Fiscal Years 1987-1991, unfunded requests total \$568 Million. The Interagency Committee evaluated these requests and assigned classification codes to the requests as follows:

		<u>\$ In Millions</u>
Code A	- Expected to Proceed	\$344
Code B	- Questions, Existing or Potential	172
Code C	- Major Questions and Concerns	52
	Total 5-Year Requests	<u>\$568</u>

The Task Force then focused on the need to fund Code A projects ("Expected to Proceed"), totaling about \$344 Million in requests over the next 5 years.

Recommendations (See Report for Additional Information)

1. Barring any emergency, the Governor and General Assembly should authorize for the Public School Construction Program a fixed annual Program level of \$40-60 Million per year in each of the next 5 years. However, in light of the large backlog of project requests "expected to proceed" over the next several years, the Task Force recommends a target minimum level of funding of \$50 Million. This authorization should be within the overall framework of the Capital Debt Affordability Committee's recommended debt limit.

2. The Board of Public Works should amend the Rules, Regulations, and Procedures to authorize as eligible for State funding renovation projects for structural, electrical or mechanical systems in public schools. The Interagency Committee staff estimate that the total cost of this type of work could range between \$30 and \$50 Million annually. This represents additional costs which will be analyzed with other projects in accordance with the Interagency Committee's priorities for evaluating and approving projects. State costs for these types of projects will depend on actual need, availability of funds, and regulations for implementing these projects as eligible for State funding.
3. The Interagency Committee and the Board of Public Works should consider shifting the costs of movable equipment, representing an average 6% of costs from the State to the subdivisions. It is estimated that the implementation of this recommendation will result in an increase of available funds for eligible projects equal to approximately 6% of the authorization level.
4. The specific allocation under the Program to each subdivision should continue to be based upon need and be distributed equitably among the subdivisions. Within the allocation of the Governor, the Task Force recommends the continuation of the existing review and allocation practice under which the Interagency Committee recommends a Capital Improvement Program to the Board of Public Works for its review and approval.
5. The Governor and General Assembly should consider an expansion of the Supplemental Public School Loan Program (for which the subdivisions pay the debt service to the State) to support locally funded public school construction or capital maintenance projects.
6. The Interagency Committee and the Board of Public Works should upgrade existing relocatable classrooms and purchase additional units to help respond to needed classroom space.
7. The Interagency Committee should review the State rated capacity formula, which is used by the State in reviewing the justification for a project and in establishing the student capacity of a project for funding purposes. Currently, 30 students per classroom is used as the capacity rating for Grades 1-6, but class size has been declining as a matter of practice.
8. Problems of an emergency nature or of ongoing pressing concern, such as asbestos removal, should be handled by means of special Programs which are funded through the operating budget or by a separate bond authorization.
9. No change is recommended to the existing procedures for the transfer and disposition of surplus schools and the use of funds which may be derived from such facilities. The revenues generated from this source is limited and do not represent a reliable or continuous source of income.
10. The Task Force commends both the Interagency Committee and the Board of Public Works for their current practice of working with local boards of education and local governments and recommends that the present structure for administering and operating the Program be maintained.

INTRODUCTION

In the letter of charge to the Task Force to Examine the School Construction Program, the Governor observed that:

"Maryland has held a leadership position in its funding for public school construction. As a result, our public school facilities are among the finest in the nation.

Since the State assumed funding in 1971, however, many changes have occurred which may impact on the school construction program. Following a period of sharp enrollment decline, some counties have closed schools and declared facilities surplus. On the other hand, facilities built during the early years of the State program and before are beginning to need renovations. Uneven patterns of enrollment growth within counties sometimes have resulted with surplus space in one area with shortage in another. Moreover, the State's capital resources now are constrained by a debt affordability ceiling which did not exist at the time the program was initiated."

In light of these and other changes, the Governor charged the Task Force to do the following:

1. examine the scope of State and local investment in school construction since the program was adopted in 1971, including debt service;
2. examine requests and projected needs for school construction and renovation during at least the next decade;
3. recommend the degree to which the State should participate in future school construction funding in light of both need and affordability;
4. consider financing options for public school construction;
5. recommend policies for the financing of public school construction and renovation; and
6. recommend policies related to the disposition of surplus schools and the use of funds which may be derived from such facilities.

The Task Force was asked to report its findings and recommendations to the Governor, Board of Public Works and General Assembly by November 1, 1985 for consideration in planning the FY 1988 consolidated improvement program for school construction.

Through a series of meetings beginning in early August, the Task Force: reviewed the historical background of public school construction funding; the relevant sections of the Maryland Annotated Code, the administration, operation, accomplishments and existing conditions of the current Public School Construction Program; analyzed the cost and impact of the Program; received public testimony on public school construction needs and Program recommendations; and evaluated the requests and needs for construction and renovation in light of affordability, and proposals for modifying the financing system of the Program.

HISTORICAL BACKGROUND - PUBLIC SCHOOL CONSTRUCTION PROGRAM

The Incentive Fund for School Construction

Since 1867, Maryland's Constitution has required that a "thorough and efficient system of Free Public Schools" be established by law throughout the State. While the General Assembly could have mandated a centralized system of public education, a primary objective of the State's school financing system has been to establish and maintain a substantial measure of local control over the local public school system. Concerns about significant variations in the quality of education provided among the subdivisions led to the enactment in 1922 of the State's first equalization law. While the State's aid program was limited to "current expenses" - staffing, salaries, and other costs of instruction - the law embodied the principle that all the wealth of the State, wherever situated, would be taxed, up to a reasonable level, to educate children wherever they live. However, this system of State financing did not provide any assistance for the costs of constructing schools.

It was not until 1947, that school building costs were recognized by the State as part of its obligation in providing a system of free public schools. It was the "Sherbow Commission", also known as the Maryland Commission on the Distribution of Tax Revenues which recognized that the State's lack of contribution "... has resulted in a highly variable quality of school buildings in the State, many of which are totally inadequate or sub-standard".(1) As part of their overall study of State and local fiscal revenue relationships, the Commission recommended an incentive plan for State aid in the construction of school buildings and facilities. As a result, the first program of State construction aid, known as "Incentive Aid for School Construction" or the "Incentive Fund" was enacted in 1947.

The Incentive Fund offered the subdivisions a State grant for the difference between \$10 per pupil enrolled and the amount raised by a local tax levy of 5 cents per \$100 of assessed property value. While the enrollment level was increasing from 1947 to 1955, the level of annual State aid over the same period under the Incentive Fund fell from \$1.3 Million to \$1.1 Million. This decrease in aid was due to marked increases in assessable base which more than offset the enrollment increases. Further, while the formula was equalizing in nature (since it was based on assessed property value i.e. a measure of wealth), it failed to recognize actual construction needs.

By 1955, the "Green Commission" (Maryland Commission to Study Education and Finance) faced an enrollment crisis. Maryland public school enrollment exploded from 276,627 in 1947 to 409,570 by 1954 (a 48% increase). The pupil overload resulted in almost 13,000 pupils on half shifts, 4,600 in rented quarters, and over 26,000 in makeshift quarters in school buildings. Thus, because of the obvious need for more space, the Commission's attention focused on the method of financing construction needs. The Commission was guided in its work by the "Grotz Commission" (Maryland State Debt and Finance Commission) of 1954, which was charged by Governor McKeldin with the investigation of State debt. Concerning the area of education, the "Grotz Commission" concluded that: (1) the State should not create public debt to finance school construction; (2) the State should cease lending its credit

to the localities; and (3) the localities had sufficient credit to finance, through the creation of debt, all foreseeable school construction. In consideration of these findings, the "Green Commission" found that the State should "... continue its policy of granting aid to the Counties and to the City of Baltimore to assist them in making capital improvements, the aid to be on a current basis, through the use of the Incentive Fund".(2) Thus, the Commission recommended that the increase should come from general State funds and be accomplished by increasing the level of the State payment per pupil enrolled under the Incentive Fund formula.

As a result, in 1956, the Incentive Fund formula was amended to allow an increase in the per pupil enrolled allowance to \$15 for FY 1957 and to \$20 for FY 1958.

In 1961, the formula was further revised resulting in the per pupil allowance being increased to \$22 and an additional allocation of \$70 for each new pupil to give recognition to differences in construction needs. This formula remained unchanged until its repeal in 1967, when it was replaced by the 1967 School Construction Aid Program.(3)

General Public School Assistance Loan (State Grant-In-Aid Fund) of 1949

The State Grant-in-Aid Fund was established in 1949 as a 5-year program of special-purpose grants to enable subdivisions to respond to school building needs brought about by the abnormal increase in school population. This legislation authorized \$20 Million in bonds to be made available to the subdivisions on a 1:3 (State/Local) matching basis. The program was not extended beyond the initial 5-year period.

General Public School Construction Loan

Also in 1949, a "Public School Construction Loan" law was enacted which authorized \$50 Million in bonds, the proceeds of which were to be used to finance the construction of public school buildings, facilities, and the acquisition of land on which to construct the buildings. The loans were made by the Board of Public Works upon recommendation by the State Department of Education. They were based upon demonstrated needs, but within entitlements which reflected size of enrollment. Bonds were sold by the State; the proceeds were loaned to the subdivisions; and the local governments were required to reimburse the State for all costs of debt service by having funds withheld from various State payments due the local governments.

This method of extending the State's credit to assist the local governments in school construction was in response to the backlog of facilities' needs that had developed during the depression and war years and as a result of the World War II baby boom. Maryland's subdivisions generally had no legal debt limits, but the practical limitations of the day (such accepted standards as seven percent of assessed wealth) were placing the credit ratings of some subdivisions in jeopardy.

The total of such loans authorized for elementary and secondary schools prior to the 1971 enactment of the State School Construction program is set forth in the following schedule (information as to the principal borrowed by each county is available in the Task Force's files):

<u>Year</u>	<u>Amount</u>
1949	\$ 50,000,000
1953	20,000,000
1956	75,000,000
1962	20,000,000
1963	50,000,000
1965	50,000,000
1967	50,000,000
1970	<u>50,000,000</u>
	\$365,000,000

(4)

State Aid for Construction of Vocational Education Facilities

Beginning in 1965, Maryland also authorized State debt for the purpose of making grants for the construction of vocational education facilities. Under this program the State paid a percentage share of the cost of construction equal to the current expense equalization share, but not less than 50%. State bonds authorized for this purpose prior to the 1971 enactment of the State School Construction Program follows:

<u>Year</u>	<u>Amount</u>
1965	\$10,000,000
1967	10,000,000
1969	<u>10,000,000</u>
	\$30,000,000

(5)

Public School Construction Aid Program of 1967

The 1967 school construction law, which replaced the Incentive Fund for School Construction, was enacted after some years of study by various committees and commissions. However, the new formula was recommended by the 1966 Committee on Taxation and Fiscal Matters and remained in effect through FY 1971. The State's program provided for:

1. Support for 80% of the cost of construction up to \$1,500 per pupil housed;
2. Support for 80% of annual interest and redemption payments for debt outstanding or obligated as of June 30, 1967;
3. The State's share of (1) and (2) the same as its percentage share of the current expense foundation program with a minimum guarantee of 35%; and
4. State aid for the establishment and support of kindergartens.

The impact of the 1967 program with respect to construction aid can be gauged from the following data:

Local Receipts from State (All Subdivisions)

	<u>Construction</u>	<u>Debt Service</u>	<u>Total</u>
1965-66	\$ 1,609,676	\$ 11,705,929	\$ 13,315,605
1966-67	<u>646,614</u>	<u>11,543,594</u>	<u>12,190,208</u>
1967-68	17,732,724	22,568,064	40,300,788
1968-69	29,578,049	17,601,898	47,179,947
1969-70	32,398,752	21,961,705	54,360,457
1970-71	<u>44,341,889</u>	<u>23,412,212</u>	<u>67,754,101</u>
1971-72	82,759,929	56,806,310	139,566,239

The assumption of the outstanding obligated debt service as of June 30, 1967 was an attempt to provide equitable treatment for those subdivisions which had tried to keep pace with their school building needs. The 80% figure was a device to balance costs with available resources and the \$1,500 per pupil figure was considered to be the reasonable cost of housing a student.(6) The program remained in effect until it was replaced by the 1971 school construction program.

The 1971 State Program of Public School Construction

The "Hughes Commission" (Commission to Study the State's Role in Financing Public Education) was in the process of preparing its report when Governor Mandel announced his school construction plan which would enable local tax relief. When released, the report contained two primary recommendations:

1. That the existing equalization formula be replaced by a single formula, with the State supporting 55% of the operating costs of programs in each subdivision based on prior-year per-pupil expenditures. In view of the cost (\$164 Million estimated), it decided not to press for immediate enactment.
2. That the State reimburse the subdivisions: (1) for full approved cost of all construction of public elementary and secondary schools for which contracts were let after July 1, 1971; (2) for full cost of debt service for obligations incurred for contracts signed, or for direct payments made for school construction, between February 1, 1971, and June 30, 1971; and (3) for debt service requirements for obligations outstanding as of June 30, 1967.

Since the Governor already had endorsed the school construction provision as a part of his fiscal program for the succeeding year, the Commission concluded that it was immediately achievable within the constraints of the State's financial limitations and therefore it supported its immediate adoption. The General Assembly enacted the school construction provision into law at the 1971 session, and it is the State's public school construction law of today.

With notable foresight, the Commission in its report envisaged how the new system would work:

"It is anticipated that local boards of education and county governments would determine their needs for school facilities in much the same manner as they now do. They would submit their proposed plans and programs to the State Superintendent of Schools for approval as they, by law, must now do. These plans and programs would, finally, be subject to approval by the Board of Public Works, acting under guidelines, standards and procedures adopted by that body with the advice and assistance of the State Planning Department, the Department of General Services, and the Department of Education. Reimbursement would be for approved costs of approved projects only, and the subdivisions would assume responsibility for costs in excess of those approved."(7)

The statute establishing the school building construction aid program left details of administration and administrative organization to be determined by the Board of Public Works through rules and regulations. To implement the Program which had an initial bond authorization of \$150 Million, the Board adopted Rules, Regulations, and Procedures for the Administration of the School Construction Program (See Appendix A) and the Public School Construction Program Administrative Procedures Guide in June 1971, thereby establishing the Interagency Committee on School Construction, which has subsequently supervised the Program.

Modifications to the State School Construction Program and Creation of the Capital Debt Affordability Committee

The first significant revision of the Program's operating guidelines occurred in 1977, as a result of the Report of the "James Commission" (the Commission to Study Revision of the School Construction Program). This report resulted in the following major changes:

1. A State funding limitation of \$15,000 per acre for site development work ten feet beyond the perimeter of a building site;
2. A reduction of State participation for school renovation projects;
3. A reduction in the percentage allowable for State funding of movable furniture and equipment;
4. Elimination of State funding for administrative office construction;
5. Local assumption of all architectural/engineering and consultant fees incurred; and
6. Elimination of State funding for specified pre-construction expenses.(8)

Of major consequence in specific to the school construction program and overall to the level of State debt was the James Commission recommendation which resulted in the creation of the Capital Debt Affordability Committee in 1978.

The Capital Debt Affordability Committee, as part of the Executive Department, consists of the Treasurer (Chairman), the Comptroller, the Secretaries of Budget and Fiscal Planning and of State Planning, and one appointee of the Governor. The Committee is required to review the size and condition of the State debt and to submit annually to the Governor and General Assembly by August 1st an estimate of the maximum amount of new general obligation debt that prudently may be authorized.

By September 1 of each year, the Governor is required to provide a preliminary allocation of new general obligation debt which he deems advisable for general construction, school construction, and other special projects. Further, within 20 days after the General Assembly convenes, the Governor must submit legislation on a consolidated loan budget, which shall reflect the dollar amount and percentage allocated for each project.

Recent evidence in the reports issued by the Capital Debt Affordability Committee shows that the level and trend of Maryland's outstanding general obligation debt (comprised principally of capital improvements including schools, owned by local governments and State-owned capital improvements) has stabilized, assuming future debt authorizations remain moderate.

In 1981 the Board of Public Works incorporated certain recommendations of a 1979 Gubernatorial Task Force to evaluate the Public School Construction Program within the Program's Rules, Regulations, and Procedures (R, R, & P). The recommendations that resulted in significant changes include:

1. Establishment of a tentative maximum State construction budget based on a formula for design purposes, and then a maximum State construction allocation when the project is reviewed for construction funding;
2. An allowance of up to 12% of the maximum State building cost for site development;
3. A revised sliding scale to govern State funding for renovation projects;
4. Required submission of educational facility master plans by school districts, with annual updates;
5. Elimination of approval requirements for project design and construction documents while retaining a State review and comment requirement; and
6. Local assumption of any project costs exceeding the State's maximum construction allocation.(9)

The changes that were made to the R, R, & P directly affected the shared cost relationship between the State and local education agencies. Based upon a review and analysis of over 200 projects the estimates provided below were developed. It must be recognized that some individual projects have had local funding in excess of the "typical local costs" identified. Under the current R, R, & P it is estimated that local funding represents between 4 and 22 percent of the project costs. Land acquisition is a local responsibility which is not eligible for State funding and has not been included in this analysis.

Typical Ranges of Local Costs for a School Construction Project (Estimated)

Costs:	1971-77	1978-1981	1981-Present
Construction	0- 5%	0-12%	0-10%
Site Work	0- 2	0- 4	0- 1
Architectural/ Engineering	0- 1	4- 5	4- 5
Related Contracts	0- 1	0- 1	0- 1
Equipment	0- 2	0- 7	0- 5
TOTAL	0-11%	4-29%	4-22%

Note: The cost of land, which has always been a local responsibility, varies from project to project and is not reflected in the total.

Supplemental Public School Construction and Capital Improvement Loans

In addition to the State Program of Public School Construction enacted in 1971, the General Assembly has continued to authorize the sale of State general obligation bonds with the proceeds being lent to public school systems for school construction projects. These authorizations are a continuation of the "General Public School Construction Loan Program" begun in 1949. In fact, in 1957, reference to that program or similar acts was incorporated into the Education Article of the Annotated Code (now Section 5-304).

The funds available under the program are provided to the public school systems for projects approved by the Board of Public Works. The County/City government signs an agreement authorizing the State Comptroller to make deductions from funds otherwise due the County/City from the State relating to income tax, the tax on racing, the recordation tax, the tax on amusements, and the license tax. The deduction shall be equal to the principal and interest payments (debt service) as they are due and carrying charges.

The total of such loans authorized since the 1971 enactment of the State School Construction Program is set forth in the following schedule:

<u>Year</u>	<u>Amount</u>	<u>Administered By</u>
1973	\$25,000,000	State Board of Education
1981	2,000,000	State Board of Education
1982	2,000,000	Interagency Comm. on School Const.
1983	900,000	Interagency Comm. on School Const.
	<u>\$29,900,000</u>	

Asbestos Removal Program

The Maryland General Assembly during the 1985 session passed S.B. 504 Tobacco Tax - Contingent Cigarette Tax - Asbestos Removal Fund - Supplementary Appropriation. This bill was signed into law as Chapter 121 of the Laws of Maryland 1985.

This adds a new section to the Education Article creating an asbestos removal fund administered by the Interagency Committee on School Construction for the purpose of providing grants to county boards. For FY 1986, \$10 Million was appropriated contingent upon a supplemental State cigarette tax which will take effect only if the Federal government allows the tax to fall below the current 16 cents per pack. Recent Congressional action extended the 16 cents per pack tax.

FOOTNOTES

- (1) Report of the Maryland Commission on the Distribution of Tax Revenues, 1946, p. (121).
- (2) Report of Maryland Commission to Study Education and Finance, March, 1955, p. 59.
- (3) Full State Funding of School Construction in Maryland - An Appraisal After Two Years, October, 1973, p. 21.
- (4) Ibid. p. 22.
- (5) Ibid. p. 22.
- (6) Ibid. p. 23.
- (7) Report of the Commission to Study Revision of the School Construction Program, January 15, 1977, pp. 3-4.
- (8) The State of Maryland Public School Construction Program 1971-1981, June, 1982.
- (9) Ibid.

ADMINISTRATION AND OPERATION OF THE SCHOOL CONSTRUCTION PROGRAM

The Interagency Committee has three members: the State Superintendent of Schools who chairs the Committee, the Secretary of the Department of State Planning, and the Secretary of the Department of General Services. Each member of the Committee has an appointed designee and staff members who work with the Interagency Committee on School Construction. There is also a staff of employees of the Board of Public Works who assumes the responsibilities for the coordination and administration of the program as well as the fiscal and audit functions. A fire protection engineer is also assigned to the Committee as a representative from the State Fire Marshal's Office. The Committee staff provides technical assistance to the local school districts and their project architects and consultants. The Interagency Committee for Public School Construction Program's organization chart follows this section of the report.

The operation of the Public School Construction Program is governed by the Rules, Regulations, and Procedures for the Administration of the School Construction Program (R, R, & P) which are established by the Board of Public Works. There have been three sets of R, R, & P which have been amended or revised. The current R, R, & P were accepted and approved by the Board of Public Works on June 10, 1981, and were amended September 21, 1982. A copy appears in Appendix A.

The Interagency Committee on School Construction utilizes an administrative procedures guide to implement the aforementioned R, R, & P. The Public School Construction Program Administration Procedures Guide was approved by the Committee July, 1981, and was amended September, 1983.

Each fall, the 24 school districts in the State submit an annual and five-year Capital Improvement Program which is approved by the local government fiscal authorities. After review and discussion with representatives of the school districts, the staff recommends action to the Committee on each project in the annual Capital Improvement Program request. In December, the Committee holds a special hearing to allow the school districts to appeal the staff recommendations. After approval by the Committee, the Capital Improvement Program is forwarded to the State Board of Public Works which holds a public hearing in January for school districts to appeal the recommendations of the Interagency Committee. The Capital Improvement Program for the Public School Construction Program is then approved by the Board of Public Works.

A bond bill is prepared and submitted in both houses of the Maryland General Assembly for the total new bond authorization required for the Public School Construction Program's Capital Improvement Program. Since 1971, the Maryland General Assembly has authorized the sale of \$1,494,600,000 in State bonds for public school construction.

Below is a typical schedule for the preparation of the public school capital improvement program. The significant dates and activities have been identified.

Timetable for Review and Preparation of FY'87 CIP

9/2/85	Schematic Drawings due to IAC Staff.
9/9/85	Tentative allocation information to LEAs.
10/15/85	CIP requests due to IAC staff.
10/23/85 to	Staff meets with individual LEAs as appropriate.
11/3/85	
11/1/85	Design Development documents due to IAC staff.
11/15/85	LEAs notified of Designee recommendations on FY'87 requests.
12/6/85	Last date for receipt of LEA program amendments and local government approval of CIP.
12/20/85	IAC hearing on CIP, LEAs notified of IAC post-hearing actions on LEA requests.
12/31/85	IAC recommended CIP submitted to Board of Public Works.
1/15/86	Board of Public Works hearing (tentative date).

The procedures guide describes in detail the process and procedures for projects to proceed through the State program. The guide also sets forth the Committee's priorities for evaluating and approving projects for planning and subsequent construction allocations. The six priority categories are listed below:

1. Projects to construct new schools or additions to existing schools for the purpose of providing instructional space for significant additional student capacity. Within this priority category, preference will be given, as applicable, to basic instructional spaces, such as classrooms and laboratories. Auxiliary gyms, swimming pools, and auditoriums, as part of this type of project, may be separated as add alternates, and may be deleted, depending upon available funds.
2. Projects to replace or renovate all or parts of existing schools that have been in use for more than 40 years, where the purpose is not to provide significant additional capacity. Enrollment data must support the project. Auxiliary gyms, swimming pools, and auditoriums, as part of this type of project, may be separated as add alternates and may be deleted, depending upon available funds.
3. Projects to add to or to renovate all or parts of existing schools that have been in use for more than 25 years, where the purpose is not to provide significant additional capacity. Enrollment data must support the project. This category does not include the "limited use" additions or renovations described in category five.
4. Same as 3 above but for buildings in use 15 to 25 years.
5. Providing "limited use" additions such as auditoriums, gyms, locker rooms, or expanding or altering existing facilities of this nature.
6. Providing other less critical facilities which qualify under the rules and regulations such as: swimming pools, food service space improvements, site modifications and outdoor education facilities.

BOARD OF PUBLIC WORKS (BPW)

The Governor, the Comptroller, the Treasurer

The BPW is the final authority on all matters relating to the Public School Construction Program (PSCP). In addition, it establishes rules and regulations approving revisions thereto; approves and submits the Annual Bond Authorization to the Legislature; approves changes in scope of projects, increases in project allocations, and withdrawal from contingencies; approves all contracts to which the State is a party; and holds hearings as applicable.

INTERAGENCY COMMITTEE FOR PUBLIC SCHOOL CONSTRUCTION (IAC)

Chairperson: State Superintendent of Schools

Members: Secretary of General Services, Secretary of State Planning

The IAC administers the PSCP under the rules and regulations adopted by the BPW; recommends the Annual Capital Budget to the BPW; approves sites, property transfers and contracts; recommends to BPW amendments to projects; adopts certain policies for administering the program; and holds hearings.

EXECUTIVE DIRECTOR

Coordinates and administers PSCP under direction of IAC

DESIGNEES OF THE INTERAGENCY COMMITTEE (DESIGNEES)

Designee of the State Superintendent of Schools

Designee of the Secretary of State Planning

Designee of the Secretary of General Services

Each Designee supervises a department staff in performance of the department's primary responsibilities and acts in the absence of the respective IAC Committee member.

Board Of Public Works Staff

Primary Responsibilities

1. Operate and maintain fiscal records
2. Operate and maintain Management Information System
3. Administration—office space, supplies, communications

Department Of Education Staff

Primary Responsibilities

1. Review of educational specification
2. Review and approve architectural program
3. Review and approve schematic documents
4. Review equipment lists & recommend to IAC
5. Assist in facility evaluations

Department Of State Planning Staff

Primary Responsibilities

1. Review LEA Master Plans
2. Review LEA's 5 year Capital Improvement Program
3. Review and recommend to IAC Annual Capital Improvement Program
4. Review and recommend sites submitted by LEA
5. Review and recommend property transfers submitted by LEA's
6. Coordinates PSCP with other state, local and federal government capital improvement funding programs

Department Of General Services Staff

Primary Responsibilities

1. Review Design Development Documents (approve energy conservation)
2. Review Construction Documents
3. Review and tabulate bids with recommendations to IAC
4. Review of contract agreements and recommendation to IAC
5. Review of change orders
6. Inspect projects
7. Assure that the award of contracts by the State is in accordance with established procedures

Office Of State Fire Marshall Representative

Primary Responsibilities

1. Review projects for consistency with fire codes

ACCOMPLISHMENTS OF THE SCHOOL CONSTRUCTION PROGRAM

Amount and Quality

In addition to providing the many needed new educational facilities and at a significant cost to the State (as detailed later in this Report), the State has enabled the school districts to renovate and modernize existing school buildings which were physically as well as educationally obsolete. Over 700 projects have been completed under this program since 1971. These projects include new schools and renovations and or additions to existing schools. They provide for the educational programs in elementary, middle, junior, and senior high schools; special education centers; vocational-technical schools; outdoor education facilities; and specialized facilities such as auditoriums, physical education additions and swimming pools. Allocations have been based on justification and need. Although the smaller school districts have received relatively smaller allocations, their needs have generally been addressed.

The buildings constructed or renovated under the program are of high structural and architectural quality. They contain the most advanced educational features and should be able to meet or adapt to the projected educational needs for the decades ahead.

Quality of Education

The State Public School Construction Program has improved and equalized the quality of educational facilities throughout the State. These facilities have made educational programs and opportunities available to students regardless of their local jurisdiction.

Many school district representatives, local government officials, and State legislators have indicated that the State Public School Construction Program has enabled their school districts to build/renovate the facilities they now have. Local funding alone could not have provided as many high quality educational facilities in the same period of time.

Modern facilities with the latest furniture and equipment enable classroom teachers and school administrators to offer educational programs and opportunities that will prepare their students for successful life experiences after graduation.

Indirect Effects

The Public School Construction Program has produced several indirect effects of a positive nature which include the following:

1. Long-range plans--The State's emphasis on educational facility master plans by local education agencies for 5-, 10-, and 15-year intervals, in cooperation with local planning officials, has fostered this concept;

2. Maintenance--The Public School Construction Program funded two maintenance surveys to assess the local effort. The staff now conducts a maintenance survey in selected schools throughout the State on an annual basis (approximately 100 schools per year). These activities have encouraged local school districts to improve their maintenance programs;
3. Planning Process--The planning process has improved in almost every school district. Planning committees with representatives from the central office, school building administrators, teachers, parents, citizens, and students are generally involved in the planning process for each project;
4. Relocatable Classrooms--The Public School Construction Program purchased and funded the movement of the State-owned relocatable classroom buildings which provide temporary relief for overcrowded schools. They also have served as temporary facilities while an existing school is being renovated; and
5. Technical Assistance--The staff of the Interagency Committee is frequently called upon by the local education agencies to provide technical assistance for problems, projects, or concerns unrelated to a State-funded school construction project.

COST AND IMPACT OF THE SCHOOL CONSTRUCTION PROGRAM

Program Components

The Public School Construction Program has had a significant financial impact on State and local government. Since July, 1971, the State has funded the cost of the School Construction Program and has assumed each school district's bond debt which was obligated or outstanding as of June 30, 1967.

Thus, there are two cost components to the State's School Construction Program:

- (1) Debt service contracted by the State after July 1, 1971 (under the "new program") for the full approved cost of all construction of public schools; and
- (2) Local debt service obligations (of the counties) assumed by the State for contracts let by the subdivisions for public school construction prior to June 30, 1967.

Funds to pay the debt service are from General Fund Revenues and State property taxes and are budgeted to the State Department of Education.

The fiscal objectives of the program have been and continue to be achieved. The local school districts were relieved of the financial obligation to provide the needed educational facilities. The financial burden of school construction costs has been shifted from the county to the State.

"New Program"

Since the inception of the "new program" in FY 1972, the State has received requests from local subdivisions for **\$3.09 Billion** (FY 72-86) in assistance. Over the same period the State has authorized **\$1.49 Billion** (with **\$1.42 Billion** actually issued) to finance the costs of the new construction program. The interest rate has ranged from a low of 4.3% (January, 1972) to a high of 11.3% (November, 1981).

Exhibit 1 reflects the request and authorization levels for each year of the program and shows that authorizations were 48% of requests. However, over two-thirds of the school construction debt was authorized in the early years of the program when there was a significant level of unmet construction needs. For the period FY 72-76 requests averaged \$392 Million and authorizations averaged \$208 Million, representing a funding level of 53% of the requests. Since FY 1976, requests have averaged \$113 Million and authorizations \$45 Million, representing a funding level of 40% of the requests.

Allocations of the school construction bond authorizations (of **\$1.49 Billion**) to the subdivisions under the "new program" are reflected in **Exhibit 2** (Column 1). These allocations represent the principal on bonds issued (or to be issued) and do not reflect the interest on the debt or the actual cash advanced to the counties under the program.

Local Debt Assumed

As a result of assuming the county debt service obligations outstanding at June 30, 1967, the State assumed costs of **\$755.6 Million** for the following 3 types of obligations:

- obligations to pay interest and principal on debt issued prior to June 30, 1967 by the counties to finance school construction.
- obligations of the subdivisions to pay interest and principal on State issued debt prior to June 30, 1967 under the General Public School Construction Loan (GPSCL) program. It should be noted that this program, through which the State issued bonds to loan funds to the subdivisions, continued after fiscal 1967 and consequently there are substantial annual payments to the State by the subdivisions that are not reimbursed by the State.
- obligations for debt service on GPSCL and county bonds that were issued after June 30, 1967 for construction payments on "contracts let" prior to June 30, 1967. This category was assumed by the State pursuant to Chapter 245 Acts of 1973.

Exhibit 2 shows that of the **\$755.6 Million** in assumed obligations, as of June 30, 1985, **\$659.6 Million** has been paid by the State and **\$96.0 Million** remains outstanding (to be repaid through 1998).

State Cost of Program

While the State has authorized almost **\$1.5 Billion** in new debt, all but **\$73 Million** actually has been issued as of June 30, 1985. The State debt service cost to date and the outstanding cost on those authorizations and on the local debt assumed is discussed below.

Debt Service Payments

Through FY 1985 under the Public School Construction Program, the State actually will have expended **\$1.71 Billion** (and **\$1.89 Billion** through FY 1986) in debt service payments for the cost of both the "new program" and the local debt assumed as set forth in **Exhibit 3**. That exhibit reflects the debt service payments by Fiscal Year (1972-1986). Although new bond authorizations have decreased each year since the start of the program, **Exhibit 3** shows that total debt service under the program has continued to increase and State costs have nearly tripled, since the start of the program (from **\$61 Million** in FY 1973 to **\$180 Million** in FY 1986). It also shows a shift in component costs. While the local debt assumed has continued to decrease (and is being phased-out through 1998), the "new program" cost has dramatically increased (and represents 88% of the State's payments under the program by FY 1986).

The table which follows summarizes these costs.

**Public School Construction Program
State Costs
FY 1972 - 1985**

<u>Amounts Paid through 6/30/85</u>	\$ In Millions
• Local Debt Assumed	\$ 659.6
• New Program Debt Service (Principal & Interest)	<u>1,046.2</u>
Total Paid	<u>\$1,705.8</u>

Debt Service Outstanding and Projected Debt Service

As discussed in the Capital Debt Affordability Report (August, 1985), the ultimate test of affordability is the willingness and ability of the State to pay the resulting debt burden when due. Affordability is a judgmental issue and the allocation of future resources (apart from those already dedicated) between debt repayment and other program needs depends upon multiple factors. Interest rates remain relatively high, which in turn add to the debt service cost. Conflicts between needs and arguments for low debt authorizations emphasize the need to "prioritize" projects to insure that only those deemed absolutely necessary are authorized. (1)

The following exhibits have been prepared to reflect the outstanding and projected debt service cost of the Program to the State under several issuance and authorization assumptions. It has been assumed that bonds will be issued at a 9% interest rate and in the following pattern: 25%, 50%, 25% over the next three years in consideration of the existing backlog of identified needs.

As of 6/30/85, outstanding debt service for the "new program" totals **\$1.2 Billion** and outstanding debt service for the local debt assumed totals **\$96.7 Million**. Based on this information, **Exhibit 4** presents a schedule of debt payments due if the program were to terminate (and no more debt for the Program was authorized) as of 6/30/85. This presents the State's existing liability for the program of **\$1.3 Billion**.

As of 6/30/85, authorized but unissued bonds total **\$73 Million**. Using the interest rate and issuance pattern shown above, **Exhibit 5** also shows the additional projected State debt service costs attributable to these bonds of **\$139.9 Million**.

Exhibit 6 shows projected State debt service costs attributable to existing authorizations (both issued and unissued) and to future authorizations assuming a 5-year program at a fixed annual level of **\$30; \$40; \$50; or \$60 Million**.

Projected State debt service costs for the Public School Construction Program (as presented in Exhibits 4, 5, & 6) is summarized as follows:

**Public School Construction Program
Projected State Debt Service Costs**

\$ In Millions

● Outstanding Debt Service Costs (Issued Bonds)	\$1,321.2
● Projected Outstanding Debt Service Costs (Bonds Authorized, but Unissued)	<u>139.9</u>
Subtotal - Projected Outstanding	\$1,461.1

Assuming a 5-Year Program
of Annual Fixed
Authorizations of:

Projected Debt
Service Cost

Incremental
Costs

\$30 Million Year for 5 Years	\$ 287.4	\$ 287.4
\$40 Million Year for 5 Years	383.3	95.9
\$50 Million Year for 5 Years	479.1	95.8
\$60 Million Year for 5 Years	574.9	95.8

Program Impact on Debt Structure

As noted in the Report of the Capital Debt Affordability Committee (August 1, 1985), the State's outstanding general obligation debt grew substantially between 1970 and 1978. This was principally as a result of the large authorizations for public school construction made in the 1971-1975 sessions of the Maryland General Assembly. Outstanding general obligation debt increased from **\$568 Million** in 1970 to **\$2.172 Billion** by 1978 (an increase of 280%). Further, as of June 30, 1985, 36% of the outstanding general obligation bonds represent financing for State-owned capital facilities, 52% represent financing of capital improvements owned by local government units, and 12% represent financing for other purposes. Specifically, General Public School Construction Bonds and State Public School Construction and Capital Improvement Bonds represent 41% of the total bonds.

Exhibit 7 displays total and outstanding State debt for Fiscal Years 1965-1985. The sharp growth in both total debt and outstanding debt (and public school construction debt) between FY 1971 and 1977 is evident. Obviously, the State's assumption in 1971 of responsibility for the future public school construction program has had a significant impact on the State's debt. **Exhibit 8** displays a historical perspective of funds authorized for capital improvements by the State. The significance of the early years of the program is apparent from the percentage share of total authorizations that the Public School Construction Program represented.

As discussed earlier and as reflected in **Exhibit 9**, under the School Construction Program the State has authorized nearly **\$1.5 Billion** and issued over **\$1.4 Billion** in new general obligation debt. Since 1972, this represents 38% of general obligation authorizations and 43% of the issuances. However, with the authorizations for the program having averaged only **\$45 Million** over the last 10 years and with increasing repayments of debt, the debt outstanding is beginning to decline.

One purpose for creating the Public School Construction Program was to provide local tax relief. **Exhibit 10** indicates that local general obligation debt has been relieved at the expense of the State (and the debt ratings of local governments have strengthened substantially as a result of the Program). **Exhibit 10** shows that the State's obligation as a percentage of the local's general obligations has dramatically increased. In 1971 local debt was almost 3 times the State's level, but by 1984 it dropped to about 1 1/2 times the State's level of obligation (but it is beginning to show an increasing pattern).

Significance of Program to Subdivisions

Several exhibits have been prepared to show the significance of the State Public School Construction Program to the Subdivisions. **Exhibit 11** reflects (as does **Exhibit 3**) the State's payment in debt service for both the "new program" and debt assumed of **\$1.886 Billion**, but shows the amount attributable to each subdivision.

The local property tax equivalent of these debt service costs for each subdivision in each year of the program and the 15-year average is shown on **Exhibit 12**. The significance of the amount to each county depends upon the level of aid and the size of the county assessable base. While the absolute level of State debt service cost for a given county may be high, if the county assessable base level is relatively high, then the tax rate equivalent appears relatively small. On the other hand while the State debt service cost may be low in terms of absolute dollars, for a relatively poor county, the tax rate equivalent will be much more significant.

Exhibit 13 presents the State debt service cost equivalent in terms of \$ of aid per FTE (Full-Time Equivalent) enrollment. The aid per FTE has steadily been increasing due to both the increasing State debt service cost and the decreasing enrollment levels.

Exhibit 14 displays the 15-year average for these debt service cost equivalents and compares them to the FTE enrollment level and the Wealth per FTE enrollment. If the State had funded the program from the beginning, one would generally expect to see that the lower the enrollment, then the higher the aid per pupil. Further, if the program were wealth equalized, then the poor counties would receive relatively more aid on a per pupil basis.

FOOTNOTE

- (1) Report of the Capital Debt Affordability Committee, August 1, 1985, p. 19.

EXISTING CONDITIONS OF THE PROGRAM

Public School Enrollment

Public school enrollment (Statewide, all grades) has decreased from 919,782 students in 1971 to 665,838 students in 1984. This is a reduction of 253,944 students or 27.6%. The Department of State Planning projects a continued decline to 646,760 students in 1988 and then a steady increase to 694,030 students in 1994 (the last year of the ten year projection).

Individual school systems have and are experiencing varying rates of decline and growth. There are also differences in when the trends begin or reversals occur. Almost every school system in Maryland is projected to have an increase in their elementary school enrollment during the next ten years. During this same time period, middle/junior high school and high school enrollments generally will continue to decline or hold steady. **Exhibit 15a** shows actual enrollment data 1971 to 1984 and **Exhibit 15b** shows the projected enrollments through 1994.

School Inventory

An inventory of public schools in the State was prepared which includes 1,237 schools in the 24 school systems with a total of approximately 104 million square feet of space. Based upon this review of September, 1982, data (no adjustments were made for new schools or additions occupied since September 1982, however, closed schools were deleted) indicates the following:

- (a) 20% of the space in the public schools was constructed between 1951 and 1960 and is from 25 to 34 years old;
- (b) 36% of the space in the public schools was constructed between 1961 and 1970 and is from 15 to 24 years old;
- (c) Approximately 34% of the space in the public schools was constructed since 1971 and is between 3 and 14 years old; and
- (d) Approximately 10% of the space in the public schools was constructed prior to 1950 and is 35 to 85+ years old.

The chart below shows the Statewide totals by age and percent of the total represented. **Exhibit 16** shows the square footage of public school buildings (or portions thereof) by age for each school system and Statewide totals. It should be noted that adjustments have not been made to any of these figures to reflect the renovations or alterations made to these buildings or any portions since the date of original construction.

SUMMARY - PUBLIC SCHOOL FACILITY INVENTORY:
AGE OF BUILDINGS (PORTIONS THEREOF) (1)

<u>TIME PERIOD</u>	<u>SQUARE FEET</u>	<u>PERCENT OF TOTAL</u>
Pre 1900	265,000	.25
1901-1910	314,000	.30
1911-1920	123,000	.12
1921-1930	2,845,000	2.74
1931-1940	3,412,000	3.28
1941-1950	3,488,000	3.35
1951-1960	20,796,000	20.00
1961-1970	37,463,000	36.03
1971-1980	32,562,000	31.33
1981-present	2,699,000	2.60
	103,967,000 square feet	100.00

Notes: (1) Not adjusted for renovation in subsequent years.

These 1,237 buildings will generally remain in use (except for a few closings or replacements) into and beyond the year 2000. By the year 2000 the schools built (new, added to, or renovated) between 1960 and 1980 will be between 20 and 40 years of age. Renovation projects can therefore be expected to require increased attention.

School Closings and Property Transfers

The decision to close a school is made by the local board of education in conformance to its adopted school closing procedure. These procedures must be consistent with the Maryland State Board of Education bylaws 13A. 02.09 Closing of Schools. The Interagency Committee on School Construction is not a participant nor a reviewer of the school closing process, procedure, or its results.

A closed school can be used for another educational purpose (administrative offices, instructional support functions, an alternative school, etc.) or a board of education can determine that the school building is no longer needed for school purposes.

Once this latter determination is made it must be transferred to the county commissioners or county council as required by State law (Education Article, Section 4-114). The approval of the State Superintendent of Schools and the Interagency Committee on School Construction is required. If there is any outstanding bond debt, the approval of the Board of Public Works is also required. Under certain conditions the State shall require the county to assume or reassume the outstanding bond debt while under other conditions, the State will continue to pay the outstanding bond debt (Education Article, Section 5-307).

There have been approximately 175 school buildings and/or sites (sometimes undeveloped) which have been approved for transfer by the Interagency Committee. The Board of Public Works has approved 116 of these property transfers pertaining to outstanding bond debt. The affected counties have agreed to assume or reassume a total of approximately **\$12.6 Million** for 89 school buildings and/or sites (with payments due between FY 1977 and FY 1996). These monies are deposited in the Bond Annuity Fund to offset the outstanding debt service. The State of Maryland has agreed to continue to pay the outstanding bond debt for 27 school buildings and/or sites which are used for local government purposes for a total of approximately **\$4.6 Million** (with payments due between FY 1977 and FY 1994; these payments are already budgeted). There are also some school buildings and/or sites that have been approved for transfer in which the State has a financial interest (by virtue of having paid a portion of the outstanding bond debt) that do not have any outstanding bond debt.

In addition to the approval of the transfer of the school building to the local government the Board of Public Works approves the sale, lease, or transfer of any right or title to a former school building and/or site, if the State has a financial interest in the property.

Exhibit 17 shows the outstanding bond debt for surplus schools by fiscal year indicating the counties assumption/reassumption of debt and the State's continued payment.

The State has also executed agreements through which the State will receive a pro-rata share of the proceeds from the sale of a school in which the State has a financial interest. As of August 1985, the State has or will receive a total of **\$1.5 Million** in proceeds (paid or payable between FY 1985 and FY 1994). In situations where leases have been approved, the State's pro-rata share is being reviewed and appropriate agreements will be executed retroactive to the date of Board of Public Works approval.

Capital Improvement Program Requests

Each year the local boards of education each submit an annual and five year public school construction capital improvement request. It is to be submitted by October 15, and can be amended prior to December 7. The capital improvement program request must be approved by the local board of education and the local governing bodies.

In October 1984, the Statewide request for fiscal year 1986 was just over **\$90 Million** and **\$34.6 Million** in new bonds were authorized. The subsequent five year requests (FY 1987 - FY 1991) totaled approximately **\$520 Million**.

Exhibit 1 shows the annual Statewide requests, the total of the new bond authorization, and the percent that the authorization represents for each fiscal year since the inception of the school construction program in 1971 (FY 1972).

Maintenance

The Board of Public Works and the Interagency Committee have been concerned about the maintenance of public school buildings by local boards of education and their staffs. A Statewide maintenance survey of over 1,200 schools was conducted in 1973. Reinspections were conducted in 1974 and 1976 of the schools that were rated fair or poor. Beginning in FY 1980 approximately 100 schools have been surveyed for the Interagency Committee by the staff of the Department of General Services. A summary of the results of these surveys is shown below. In general the schools are well maintained by the local boards of education although some improvements are needed.

<u>Fiscal Year</u>	<u>Superior or Very Good</u>	<u>Good</u>	<u>Fair</u>	<u>Poor</u>
1981	13	80	7	0
1982	25	67	8	2
1983	56	33	14	3
1984	59	30	16	7
1985	28	55	20	4
	<u>181</u>	<u>265</u>	<u>65</u>	<u>16</u>
% of Total Surveyed	35%	50%	12%	3%

Relocatable Classroom Buildings

The State of Maryland purchased 107 relocatable classroom buildings through the Public School Construction Program between 1971 and 1974. These 107 buildings contained 258 classrooms with a student capacity range from 6,450 (based upon 25 students per classroom at the secondary level) to 7,740 (based upon 30 students per classroom at the elementary level).

Several buildings have been permanently installed at public school sites and others have been assigned to other State agencies or educational institutions. This has reduced the number of available buildings to 62. They contain 167 classrooms with a student capacity range of 4,175 to 5,010.

The school system in which the relocatable classroom building is located is responsible for "regular" maintenance. There are some capital maintenance expenditures, however, that are necessary for the State to make to maintain and protect its investment.

Forward Funding

The concept of forward funding pertains to a project that is (a) approved for planning by the county; (b) is or will subsequently be bid and funded by the county; and (c) the county will request State funding (reimbursement) in a future fiscal year. The project may in some cases proceed through design, construction, and occupancy prior to obtaining Interagency Committee and Board of Public Works approval.

There are sixteen projects (as of 8/85) that are proceeding as locally funded projects for which project requests for construction funding are anticipated. Four of these projects have State approval and will probably be funded within the next two years.

The forward funding concept enables a project to proceed at the local level. The State then reviews subsequent requests for planning approval (State recognition) and/or construction funding (reimbursement). The project scope is then established and funding is subsequently based on the justified and eligible aspects of the project.

Supplemental Loans

Since 1973 the Maryland General Assembly has authorized four Supplemental Public School Construction and Capital Improvement Loans. The authorizations have been as follows:

1973 - \$25 Million, 1981 - \$2 Million 1982 - \$2 Million, and 1983 - \$.9 Million.

The proceeds from the sale of the general obligation bonds have been used by the school systems that have applied for these loans for such eligible projects as: major maintenance (roof work), energy conservation, asbestos work, supplements to State funds for approved projects, and locally funded construction or renovation projects.

In February 1982, the Interagency Committee staff compiled the responses from each school system to a questionnaire pertaining to needed supplemental loan funds. The five year (FY 1983 - FY 1987) total was \$195.6 Million. The annual figures of needs for supplemental loans are listed below:

FY 1983	\$ 42,679,000
FY 1984	42,619,000
FY 1985	39,059,000
FY 1986	39,605,000
FY 1987	<u>31,694,000</u>
TOTAL	<u>\$195,656,000</u>

The four major categories identified for FY 1983 were major maintenance (\$10.8 Million); local construction projects (\$8.6 Million); supplemental State funded construction projects (\$8.5 Million); and supplemental State funded equipment allocations (\$4.5 Million).

Asbestos Program

The Maryland General Assembly during the 1985 session passed legislation which establishes an asbestos removal fund for public schools administered by the Interagency Committee on School Construction.

This law establishes a new statute under the Education Article, Section 5-308. Under this section the Interagency Committee shall adopt regulations which establish standards for applications and the use of asbestos removal funds. The regulations are to be approved by the Board of Public Works.

Funding for this program is contingent upon the implementation of a contingent State cigarette tax to replace the reduction in the Federal tobacco tax to be effective October 1, 1985. A contingent supplementary appropriation of \$10 Million was established.

It does not seem likely that the funding for this program will be available, since recent Congressional action has extended the 16 cents per pack tax.

EVALUATION OF REQUESTS

Review and Evaluation

The Task Force to Examine the School Construction Program requested the Interagency Committee to review the requests in the most recent Capital Improvement Program (submitted in October, 1984) submitted by the subdivisions for the purpose of evaluating the "need" for State funds for the School Construction Program

In response to the Task Force's request, a listing of project requests from each local education agency was prepared based upon the submissions made in October, 1984 for Fiscal Year 1986 and the ensuing five-year period (FY 1987 - FY 1991). The listing identified the projects in the priorities established by each local education agency. Each request had been approved by the local governmental body.

One of three classification codes was assigned to each proposed project. The three codes were as follows:

- A - Expected to proceed. Appears to be eligible for funding. Possible questions will relate to scope and capacity, but not to basic eligibility or advisability. Project can be expected to proceed although not necessarily within five years or at the time the LEA requests.
- B - Questions, existing or potential. Significant questions exist or are anticipated to project's local support, appropriate scope and capacity, advisability as currently proposed. Project could proceed normally once questions are resolved, however, not necessarily within the time frame proposed.
- C - Major questions and concerns. Project justification is questionable; project is of a low priority, or doubtful eligibility.

The judgment and assignment of a "code" was based upon a preliminary assessment of each project and the potential for approval some time within the next several years. The classification took into consideration current enrollment trends as well as projected and/or expected growth and development. The code assigned to any specific project may change if the factors related to its justification, scope, and capacity change upon detailed review of annual capital improvement program requests. The assignment of the codes did not represent Interagency Committee planning approval.

The project scope, capacity, description, and/or priority are subject to change in subsequent annual submissions by the LEA of its capital improvement program. Furthermore, it is understood that circumstances at the local level may change significantly which could result in the addition and/or deletion of project requests.

These codes were assigned without regard to the availability of funds or Interagency Committee priorities. It should be noted that individual projects within a school system and between school systems may differ significantly in terms of relative merit.

The total of all requests for State funding is **\$568,459,000**. Based upon the "codes" assigned to each project, the Statewide totals are as follows:

Code A - Expected to proceed	\$ 344,229,000 - 116 projects
Code B - Questions existing or potential	172,491,000 - 35 projects
Code C - Major Questions and Concerns	<u>51,739,000 - 24 projects</u>
	\$ 568,459,000 - 175 projects

The Code A project requests by local education agencies by fiscal year of request is shown below. Project requests (Code A) for funding in FY 1986 which were deferred were advanced and added to existing requests in FY 1987.

FY 1987	- \$ 75,488,000
FY 1988	- 73,818,000
FY 1989	- 74,015,000
FY 1990	- 70,920,000
FY 1991	- <u>49,988,000</u>
TOTAL	- \$344,229,000

All figures are for construction only and are based upon July, 1985 cost figures (inflation anticipated for subsequent years of funding has not been added). During the next five years, several of the projects currently assigned Code B will have their "questions" resolved and could then be considered Code A projects.

Alternative Funding Plans

Several alternative funding plans were considered with only Code A projects included.

A 5-year Funding Plan at **\$40 Million** per year was prepared (approximate total for 5 years is **\$200 Million**). At this level of funding, approximately **\$145 Million** of Code A project requests would have to be deferred for funding in some future fiscal year (beyond the 5-year plan). It would take over 8 years at **\$40 Million** a year to fund these projects.

A 5-year Funding Plan at **\$50 Million** per year was prepared (approximate total for 5 years is **\$250 Million**). At this level of funding, approximately **\$95 Million** of Code A project requests would have to be deferred for funding in some future fiscal year (beyond the 5-year plan). It would take 7 years at **\$50 Million** a year to fund these projects.

A 5-year Funding Plan at **\$60 Million** per year was prepared (approximate total for 5 years is **\$300 Million**). At this level of funding, approximately **\$45 Million** of Code A project requests would have to be deferred for funding in some future fiscal year (beyond the 5 year plan). It would take almost 6 years at **\$60 Million** a year to fund these projects.

Each of the three plans presented requires the deferral of project requests beyond the 5-year period. Additional projects (new A's and new or revised B's and/or C's) are anticipated to be submitted in the subsequent school construction capital improvement programs prepared by each individual local education agency.

The level of combined funding from State and local sources to address these project requests will determine the time schedule for the completion of these projects.

Historical Funding of Requests

Exhibit 1 displays (as discussed earlier) that over the 15-year history of the School Construction Program that authorizations have been made for 48% of the requests. However, the Program's most recent fiscal history reflects a lower percentage of authorizations to requests. Over the past 10 years (as per **Exhibit 1**) only 40% of requests have been supported by authorizations.

Exhibit 18 displays for the 4 most recent years the percentage of projects authorized and the percentage deferred due to fiscal constraints. From FY 1983-1986, while 44% of requests were authorized, 29% were rejected due to fiscal constraints. Thus, about 27% of requests were deferred for reasons other than fiscal constraints.

PUBLIC TESTIMONY

Early in its deliberations the Task Force held a public hearing for the purpose of receiving testimony on local needs and recommendations pertaining to its charge in the following areas:

- Methods of financing and controlling school construction and renovation costs;
- Changes to the policies, procedures and practices of the Interagency Committee on Public School Construction; and
- Changes to the local level of contributions to school construction costs.

A number of witnesses testified before the Task Force while others submitted written testimony for the record (copies of all written testimony is available in the Task Force files). These individuals represented a broad spectrum of interests in education including: County and Municipal Government Officials; Local School Boards; Local School Superintendents and Support Personnel; Parent-Teacher Associations; and Community Groups.

These representatives submitted a substantial amount of information which the Task Force found most helpful in guiding their deliberations. A variety of recommendations were also submitted and have been summarized as follows:

I. Suggested Changes to the Policies, Procedures, and Practices of the IAC

- State priority categories:
 - Assess the impact of changes adopted by the Interagency Committee in May 1985;
 - Revise the schedule for renovation of facilities;
 - Continue emphasis for State funding of projects required due to student growth;
- Rated capacity:
 - Should consider current class size and changes in the instructional program;
 - Reduce from 30 to 25 for elementary schools;
 - Allow the LEA to specify the number of classrooms needed to serve a given student population.
- Eligible/Ineligible Costs:
 - Authorize capital maintenance costs as eligible for State funding;
 - Allow more flexibility in use of funds;
 - Increase allowable site costs in lieu of equipment costs.
- Determination of needs:
 - Look at projected needs over 10, 20, or 30 years.

- State Standards:

- Assess need for State standards which require equipment which is expensive to maintain (such as intrusion alarms, air handling systems, metal door bucks, etc.).

- New Regulations:

- Assure that any changes do not further delay funding for projects already requested (grandfather in under existing program).

- Relocatables:

- Unlimited use can result in shifting operating costs to State (counties can close schools unnecessarily and shift to portable use).

II. Suggested Methods of Financing and Controlling School Construction and Renovation Costs

- Level of State contribution:

- Increase State level;
- Floor of \$40-50 Million per year for a given number of years;
- Plus a one-time bail out of \$100 Million;
- Minimum participation by State should cover all projects in State priority categories 1 and 2;
- Since the State has assumed the responsibility for school construction, it should provide a reasonable support level for the program;
- Major maintenance projects, like asbestos removal and handicap access represent unmet needs for which funds are needed;
- As debt service obligations are reduced, monies previously obligated for that purpose should be used for school construction;
- Increase funding for renovations;
- Increase funding for relocatable classrooms;
- If locals decide to or are required by State to expand kindergarten or early childhood education programs, then construction costs will increase and additional support will be needed;
- State could appropriate an amount to be used as a grant equal to some percentage of the median square foot construction costs with the locals assuming a percentage (perhaps 50%) of the construction cost.

- Method of State Participation:

- Funding method should allow each jurisdiction to determine how funds should be used;
- A formula should be devised to enable jurisdictions to determine which project(s) will be funded;
- Mandate that redistricting plans be developed to accommodate student growth and shifts and to use all available space prior to requesting "new" monies (including re-opening closed facilities).

- Local Participation:
 - Retain at existing level;
 - Increase local participation;
 - Cap local participation at 20% to 25%.
- Establish a State loan program:
 - To fund "ineligible construction costs" now borne by locals or any additional costs to be made a part of local obligations;
 - To fund major maintenance projects.
- Cost containment measures:
 - Develop prototype designs or standardized buildings, (with locals funding any items which exceed State specs) which have built-in flexibility for local programs and needs (locals and State would know dollar exposure once design was selected);
 - State and locals should consider creative measures to control costs (like modular construction, replication of architectural plans, roofing design and mechanical efficiency, etc.);
 - Better planning between State and local agencies to identify areas undergoing change;
 - Encourage use of adaptable or relocatable facilities;
 - Renovation costs should be held to what is necessary and adequate;
 - Mandate adoption of realistic renovation schedules to prevent delays which create backlogs (needed renovations left uncorrected result in school closures).
- Other financing measures:
 - Set aside a percentage of the total State debt level each year for School Construction;
 - Dedicate an existing revenue source.

PROPOSED OPTIONS

Proposals to revise the funding structure of the Public School Construction Program were submitted by several Task Force members. A summary of each proposal follows:

● Treasurer James' Proposal

- (1) Barring any emergency, the Governor and General Assembly should authorize a fixed level of general obligation bonds between \$40-\$60 Million in each of the next 5 years for the Public School Construction Program. The authorization should be within the Capital Debt Affordability Committee's recommended debt limit.
- (2) The Interagency Committee and the Board of Public Works should shift the cost of movable equipment, representing an average 6% of costs, from the State to the subdivisions.
- (3) The Governor and General Assembly should consider expanding the Supplemental Public School Loan Program to support locally funded capital maintenance or construction projects.
- (4) The Interagency Committee and the Board of Public Works should upgrade existing relocatable classrooms and purchase additional units.
- (5) The Governor and General Assembly should establish separate programs, funded by either operating or capital appropriations, for problems of an emergency nature or of ongoing pressing concern, such as asbestos removal.

● Schoenbrodt/Hornbeck Proposal

Three funding formula options, which include equalization factors, are proposed for distribution of the School Construction Program monies:

(1) Option 1

Rank counties from high to low based on the amount of State aid received under the Current Expense Formula. Based upon its rank, a county would receive the percentage of funding of State allowed school construction costs indicated below:

<u>% of Current Expense Aid Received</u>	<u>% of Eligible Costs Funded by State</u>
8 Counties Receiving the Greatest %	100%
Next 8 Counties	85%
Remaining 8 Counties	70%

(2) Option 2

Compare county wealth per capita to Statewide wealth per capita. Based upon comparison, a county would receive the percentage of funding of State allowed school construction costs indicated below:

<u>Wealth Per Capita (WPC)</u>	<u>% of Eligible Costs Funded by State</u>
County WPC below Statewide WPC	100%
County WPC exceeds Statewide WPC	$\frac{\text{Statewide WPC}}{\text{County WPC}} \%$

(3) Option 3

Same as Options 1 and 2, but shift cost of movable equipment from the State to the subdivisions.

● **Ruffo Proposal**

- (1) Annually allocate 35% of the Capital Debt Affordability Committee's recommended debt limit to school construction or allocate sufficient funds to finance all IAC approved projects that can be ready for bid in a given year up to a maximum of \$50 Million annually.
- (2) Specify that the local share of an IAC approved school construction project shall be 25% plus land acquisition and other ineligible costs (such as construction costs in excess of IAC approved maximum allocation).
- (3) Authorize as eligible expenditures:
 - Roof replacement after 15 years;
 - Asbestos removal; and
 - Boiler replacement.
- (4) If subdivisions are required to provide a minimum percentage of school construction costs, authorize as eligible expenditures:
 - A/E and other consultant fees;
 - Related construction costs such as permits, test borings, bid advertising, water and sewer connections, topographical surveys, and models, renderings or cost estimating.
- (5) Revise the formula which specifies the maximum State allocation for renovation projects so that the allocation will more nearly cover the cost of the IAC approved work.
- (6) (a) Revise the rated capacity formula for elementary schools to allow 25 rather than 30 students per regular instruction classroom.
(b) Classrooms used for special purposes should not be considered as "regular instruction". Examples include special education, music, art, and labs housing special equipment programs (reading, math, computer instruction, gifted/talented, etc.).

● **Kramer/Counihan Proposal**

(1) Option 1

- (a) Allocate 25% of the Capital Debt Affordability Committee's recommended debt limit to school construction;
- (b) Continue recommended allocation for 5 years;
- (c) Fund the existing forward-funded backlog of IAC approved projects; and
- (d) State fund costs of school construction (shifts cost of movable equipment from the State to the subdivisions).

(2) Option 2

- (a) Create a School Construction capital grant program as follows: \$75 per pupil in year 1, \$80 in year 2, and \$85 in year 3;
- (b) Allocate to the School Construction Program: \$55 Million in year 1; \$57.5 Million in year 2; and \$60 Million in year 3. The balance of unallocated monies could be distributed by the IAC to subdivisions with enrollment of 30,000 or less;
- (c) Allow use of capital grants for existing capital construction categories, such as new schools, additions or renovations;
- (d) Allow subdivisions to accumulate their annual grant allocations for up to 5 years or, with IAC approval, for longer;
- (e) IAC continues to audit local expenditures from capital grants, allocates pool amounts to subdivisions (per (b) above), and approves plans for school construction projects;
- (f) Sunset program after 5 years; and
- (g) Fund the existing forward-funded backlog of IAC approved projects.

● **Praisner Proposal**

- (1) Annually allocate at least 35% of the Capital Debt Affordability Committee's recommended debt limit to school construction.
- (2) Annually allocate an additional 5% for public school construction loans, with locals repaying debt service, which include major maintenance projects, like roof replacement and asbestos abatement.
- (3) Purchase additional relocatable classrooms and have the Board of Public Works ensure that the present and future stock remain dedicated to public school use.
- (4) Have the IAC review the state-rated capacities.
- (5) Commend the IAC's current practice of working with local boards and superintendents when it contemplates changing regulations.

● **Phillips Proposal**

- (1) Maintain the current funding formula, except to recognize the lack of financial capacity of poor subdivisions. Provide for 100% of basic construction costs, including otherwise ineligible costs, for the poorest subdivisions.
- (2) Annually authorize \$40-\$50 Million for school construction and stabilize at that level.
- (3) Authorize major system renovations as eligible costs and require LEA's to contribute 20% of project costs. Major system renovations should have a 15-year life expectancy and could be limited to the following if they meet certain standards:
 - major roof renovations;
 - heating system renovations;
 - plumbing renovations; and
 - electrical system renovations.
- (4) As a "trade-off" to achieve the above three recommendations the State should transfer to local governments the cost of movable equipment.
- (5) Establish a "Statewide Systems Renovation Revolving Loan Fund" with an initial level of \$10 Million and decreasing amounts in the following years in proportion to the length of the loan. The fund would be self-perpetuating and eventually would not require additional State monies. Initial funds could come from general funds or a special lottery.

FINDINGS

Scope of School Construction Program

Since the inception of the Public School Construction Program in 1971 over 700 projects have been completed under the Program throughout Maryland at a significant cost to the State. These projects have enabled the construction of the many needed new educational facilities as well as the renovation and modernization of existing school buildings which were physically and educationally obsolete. The Program has improved and equalized the quality of the educational facilities in Maryland.

As of June 30, 1985, the School Construction Program has cost the State nearly **\$1.71 Billion**. This Program consists of two elements and the cost of each follows:

- Debt service contracted by the State after July 1, 1971 (under the "new program") for the full approved cost of all construction of public schools; and
- Local debt obligations assumed by the State for contracts let by the subdivisions for public school construction prior to June 30, 1967.

State Cost of Public School Construction Program FY 1972-1985 \$ In Millions

• New Program Debt Service	\$ 1,046.2
• Local Debt Assumed	659.6
Total Paid	<u>\$ 1,705.8</u>

Further, as of July 1, 1985, outstanding debt service on bonds already issued totals over **\$1.3 Billion** and projected debt service on unissued bonds (of \$73 Million) is estimated at almost **\$140 Million**. These projected debt service costs are displayed below:

Projected State Cost for Authorized Bonds Public School Construction Program \$ In Millions

• New Program Debt Service (Outstanding)	\$ 1,224.5
• Local Debt Assumed Outstanding	96.7
• New Program Debt Service on Unissued Bonds	139.9
Projected Total Outstanding	<u>\$ 1,461.1</u>

While a significant share of the program costs has been borne by the State, the subdivisions have absorbed the cost in excess of those approved by the State. Changes made to the Program's Rules, Regulations, and Procedures (R, R, & P) since 1971, have directly affected the State-local shared cost relationship. Based on a review of over 200 projects, the Interagency Committee (IAC) has estimated that "typical local funding", excluding site acquisition costs, represents a range of 4 to 22 percent of a project's cost. It must be recognized that some individual projects have been supported by local funding in excess of that range. The following chart depicts the changes in local costs which resulted from modifications to the R, R, & P (as detailed earlier in the report):

**Typical Ranges of Local Costs for a School Construction Project
(Estimated by IAC)**

Costs:	1971-77	1978-1981	1981-Present
Construction	0- 5%	0-12%	0-10%
Site Work	0- 2	0- 4	0- 1
Architectural/ Engineering	0- 1	4- 5	4- 5
Related Contracts	0- 1	0- 1	0- 1
Equipment	0- 2	0- 7	0- 5
TOTAL	0-11%	4-29%	4-22%

Note: The cost of land, which has always been a local responsibility, varies from project to project and is not reflected in the total.

School Construction Funding Requests and Projected Needs

For FY's 1972-1986, the State received **\$3.09 Billion** in total requests for assistance from the subdivisions under the Program. Over the same period, the State authorized bonds of **\$1.49 Billion** (and has issued **\$1.42 Billion**) to finance the costs of the "new program" construction costs.

The Task Force requested the IAC to evaluate future needs based upon the most recent requests from each local education agency (LEA) as submitted in the latest annual Capital Improvement Program (CIP). While the Governor charged the Task Force with an examination of requests and needs for "at least the next decade", the latest CIP (October, 1984) includes requests for the current year (FY 1986) and the ensuing 5-year period (FY 1987-1991). The Task Force, therefore, confined its review to the projected 5-year needs.

For FY's 1987-1991, the unfunded requests total **\$568.4 Million**, which the IAC classified as follows:

<u>Requests (\$ Millions)</u>	<u>Code Assigned</u>
\$ 344.2	A - Expected to proceed
172.5	B - Questions, existing or potential
51.7	C - Major questions and concerns
<u>\$ 568.4</u>	TOTAL 5-Year Requests

The IAC observed that during the next 5 years, several of the projects currently assigned Code B will have their "questions" resolved and would then be considered Code A, while Code C projects are of questionable eligibility or low priority. However, all project requests are subject to continuing review and may be changed at some point in time. It should also be noted that new project requests can be submitted and some existing requests may drop out or be modified. Further, if the R, R, & P are modified as to what is "eligible" for State funding, then the level of the requests will necessarily also change.

During the last 3 years, annual authorizations for the School Construction Program have averaged \$31 Million. Continued authorizations at this level will not meet the existing backlog of identified needs.

Existing Conditions of Program

Enrollment

Public school enrollment has decreased by 27.6% from 919,782 students in 1971 to 665,838 students in 1984. The Department of State Planning projects the trend to continue to a level of 646,760 by 1988 and then to steadily increase to 694,030 by 1994. However, individual school systems have had and are experiencing varying rates of decline and growth both from a county wide perspective due to changes in total school population and from an individual school perspective due to population shifts.

School Inventory

There are 1,237 public schools in Maryland which consist of about 104 Million square feet of space. An aging of the space unadjusted to reflect renovations or alterations, (prepared by the IAC in September, 1982, but updated to delete closed schools) follows:

<u>% of Space</u>	<u>Age of Facilities</u>	<u>Time Period</u>
34%	3-14 Years	1971-Present
36%	15-24 Years	1961-1970
20%	25-34 Years	1951-1960
10%	35-85+ Years	Prior to 1951

Renovation projects can be expected to require increased attention in future years.

School Closings and Property Transfers

The closing of a school is a decision made by the local board of education. A closed school can be used for another educational purpose, otherwise it must be transferred to the county by the State. About 175 buildings/sites have been approved for transfer by the IAC. The Board of Public Works (BPW) has approved 116 of these, since bond debt was still outstanding. The State will receive about \$12.6 Million for 89 of these building/sites between FY 1977 and 1996. Another \$1.5 Million will be paid to the State (through FY 1994) from the sale of schools in which the State had a financial interest.

Maintenance

The BPW and IAC have continued to be concerned about the maintenance of public schools, since good maintenance can help stem the need for replacement or renovation of facilities. Survey results between FY 1981 and 1985 reveal the following average ratings for approximately 100 schools per year surveyed by the Department of General Services:

Superior or Very Good	Good	Fair	Poor
35%	50%	12%	3%

Relocatables

Under the School Construction Program, the State purchased 107 relocatable classroom buildings. Due to the significant enrollment declines experienced, several buildings were permanently installed at public school sites and a number were transferred for other uses. There are 62 buildings presently available, which contain 167 classrooms with a student capacity of 4,175 to 5,010.

Forward Funding

A project which is forward funded is one which has been approved for planning by the county; is or will be bid and funded by the county; and for which State funding will be requested. As of August, 1985, there are 16 projects proceeding as locally funded for which requests for State funding are anticipated.

Supplemental Loans

Since 1973, 4 Supplemental Public School Construction and Capital Improvement Loans have been authorized: 1973-\$25 Million; 1981-\$2 Million; 1982-\$2 Million; and 1983-\$.9 Million. The debt service costs are paid by the subdivisions who borrow the monies from the State. The proceeds have been used for such projects as: major maintenance (roof work), energy conservation, asbestos work, supplements to State funds for approved projects, and for locally funded projects.

Based on a 1982 survey, the IAC staff compiled responses to a questionnaire pertaining to the need for supplemental loan funds. The response reflected that the 5-year need (FY 1983-1987) totaled almost \$196 Million.

Asbestos Program

An asbestos program was enacted in 1985 to provide State assistance for asbestos removal. Funding of \$10 Million was contingent upon implementation of an increased State cigarette tax to replace a reduction in the Federal tax to take effect October 1, 1985. However, recent Congressional action temporarily extended the existing 16 cents per pack tax. Thus, funding for the program is unavailable at present.

RECOMMENDATIONS OF TASK FORCE

Major Issues - Task Force Member Proposals

Task Force member proposals, as summarized earlier in this report, centered on the following major issues:

- (1) The State authorization level for the School Construction Program;
- (2) The State-local sharing of costs under the Program;
- (3) The method of allocating Program funds to each subdivision;
- (4) The need for expansion of the Supplemental Loan Program;
- (5) The need for additional relocatable classrooms;
- (6) The need to review/revise the State-rated capacity formula;
- (7) The backlog of forward-funded projects; and
- (8) The consideration of the current practices of the IAC.

After discussing the modifications recommended by Task Force members in each of these areas, the Task Force set out its recommendation for consideration by the Governor, Board of Public Works, and General Assembly.

Recommendations

1. Barring any emergency, the Governor and General Assembly should authorize for the Public School Construction Program a fixed annual Program level of **\$40-60 Million** per year in each of the next 5 years. However, in light of the large backlog of project requests "expected to proceed" over the next several years, the Task Force recommends a target minimum level of funding of **\$50 Million**. This authorization should be within the overall framework of the Capital Debt Affordability Committee's recommended debt limit.

Based on the Interagency Committee's review of funding requests and concentrating upon the project requests classified as Code A (Expected to Proceed) which total **\$344.2 Million**, or about **\$70 Million** per year under a 5-year program, the results of alternative authorization levels is displayed below:

	<u>\$ In Millions</u>		
Requests for Projects "Expected to Proceed"	\$ 344.2	\$ 344.2	\$ 344.2
Assuming Annual Authorization of	\$ 40.0	\$ 50.0	\$ 60.0
Approximate Number of Years to Fund Requests	8.5	6.8	5.7
Assuming a 5-Year Authorization Level*	\$ 200.0	\$ 250.0	\$ 300.0
Amount Unfunded After 5 Years**	<u>\$ 144.2</u>	<u>\$ 94.2</u>	<u>\$ 44.2</u>

*Projected debt service costs are **\$383.3**, **\$479.1** and **\$574.9** respectively for these authorization levels.

**Detailed review of project requests and project justification included in the annual Capital Improvement Program coupled with additional local effort could reduce these levels of projected unfunded requests.

2. The Board of Public Works should amend the Rules, Regulations, and Procedures to authorize as eligible for State funding renovation projects for structural, electrical or mechanical systems in public schools.

Based on information presented to the Task Force, there has been identified a significant need for State assistance with these renovation projects in order to maintain and lengthen the useful life of school buildings. IAC staff estimate that the total cost of this type of work could range between \$30 and \$50 Million annually. This represents additional costs which will be analyzed with other projects in accordance with the Interagency Committee's priorities for evaluating and approving projects. State costs for these types of projects will depend on actual need, availability of funds, and regulations for implementing these projects as eligible for State funding.

3. The Interagency Committee and Board of Public Works should consider shifting the costs of movable equipment, representing an average 6% of costs, (i.e., 5.5% for elementary, middle, and junior high schools; 6.5% for high schools and special education schools; and 15% for vocational/technical facilities) from the State to the subdivisions. Such a change would not create a hardship on the subdivisions, but would enable the acceleration of funding for worthy projects.

It is estimated that the implementation of this recommendation will result in an increase of available funds for eligible projects equal to approximately 6% of the authorization level.

4. The specific allocation under the Program to each subdivision should continue to be based upon need and be distributed equitably among the subdivisions. Within the allocation of the Governor, the Task Force recommends the continuation of the existing review and allocation practice under which the Interagency Committee recommends a Capital Improvement Program to the Board of Public Works for its review and approval.
5. The Governor and General Assembly should consider an expansion of the Supplemental Public School Loan Program (for which the subdivisions pay the debt service to the State) to support locally funded public school construction or capital maintenance projects.
6. The Interagency Committee and Board of Public Works should upgrade existing relocatable classrooms and purchase additional units to help respond to needed classroom space.
7. The Interagency Committee should review the State rated capacity formula, which is used by the State in reviewing the justification for a project and in establishing the student capacity of a project for funding purposes. Currently, 30 students per classroom is used as the capacity rating for Grades 1-6. Class size generally has been declining as a matter of actual practice since the formula was established in 1978. Therefore, consideration should be given to revising the capacity rating formula.

8. Problems of an emergency nature or of ongoing pressing concern, such as asbestos removal, should be handled by means of special programs which are funded through the operating budget or by a separate bond authorization.
9. With respect to the Governor's charge relating to the disposition of surplus schools and the use of the funds which may be derived from such facilities, no change is recommended to the existing procedures for the transfer and disposition of these surplus buildings. The revenues generated from this source is limited and do not represent a reliable or continuous source of income.
10. The Task Force commends both the Interagency Committee and the Board of Public Works for their current method of working with and responding to school project requests from local boards of education and local governments. Considerable favorable testimony was received about the harmonious working relationship that the Interagency Committee has developed with local education boards and staff. The Task Force recommends that the present structure for administering and operating the Program be maintained.

MINORITY STATEMENTS

October 28, 1985

William S. James, Chairman
Task Force to Examine the School
Construction Program
90 State Circle
Room 226
Annapolis, MD 21404

Dear Treasurer James:

In general we support the recommendations of the Task Force. However, we believe they fall short of what is required to reestablish the State's commitment to a quality school construction program for the following reasons:

First, the Task Force's recommendation for a \$50 million funding level does not go far enough. The declining State involvement in the School Construction Program is well documented. From a high of \$300 million in FY 73 the program appropriation dropped precipitously to only \$22 million in FY 84. At its peak in 1972, the Program funded nearly 72% of local eligible project requests. For FY 86, it is anticipated that only 38% of local needs will be funded. What is most alarming, however, is that the School Construction Program, as a percentage of the State's total annual general obligation debt, has plummeted from 63.2% in FY 73 to a low of 11.3% in FY 84. (See attached.)

While some reduction may have been justified in the late 70's, that is no longer so in view of the staggering construction and renovation needs facing all local school districts. Admittedly, the State has other expanding capital needs and the competition for every bond dollar has become extremely fierce. But this should not dissuade the Task Force from recommending that the State restore public school construction as a major capital budget priority. This commitment must be recognized and reestablished so that Maryland citizens will be assured that adequate public school facilities have priority over new stadiums, museums or festival halls. In our view, the recommendation to allocate a defined percentage of the State's annual debt affordability ceiling to the School Construction Program is still a valid approach.

Second, the Task Force's recommended funding level does not adequately reflect the full scope of local needs. The proposal accounts only for those projects which are currently classified as Code A by the IAC - Expected to Proceed - which presently totals \$344.2 million. This figure is overwhelming enough, but fails to account for Code B projects - Questions Existing or Potential - which total more than \$172 million. Dr. Stenzler's report, Local Education Agency Request 5 Year Review (1987-1991), suggests that several Code B projects will have their "questions" resolved and will then be considered Code A projects. These classifications present IAC's best estimates as to what are the current projected local construction needs. Increased enrollments, changes in demographics and need reappraisals by the


Treasurer William James
Page 2
October 28, 1985

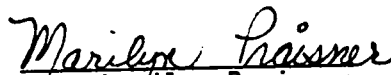
local governments are likely to increase total program requests. The Task Force's recommended funding level takes no account of this eventuality. The inclusion of "systems renovations" can only make this grim situation worse. Additionally, the potential total cost of this category, by IAC estimates, is approximately \$30 - \$50 million annually or \$150 - \$250 million over the five year period.

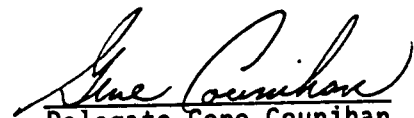
Third, issues such as funding the present IAC backlog and the timely reimbursement of local advance-funded projects have been addressed only in a limited way. No account has been taken of this local participation which in the long run saves the State money. When local governments advance fund projects they reduce project costs, as costs increase with postponement of construction. Overcrowding and remodeling problems are solved now rather than waiting until adequate State funding is available. New schools, renovations and additions are made operational sooner and limited State dollars are available to go to other projects. The State should encourage this local advance-funding as it ultimately reduces the overall costs of the program.

In summary, the potential for increased State participation is encouraging but short of what is required.

Sincerely,


Senator Sidney Kramer


Mrs. Marilyn Praisner


Delegate Gene Counihan

SK:MP:GC:pmm

cc: Barbara Klein

PUBLIC EDUCATION TREND ANALYSIS
FISCAL YEARS 1972-1986
(in thousands)

CAPITAL CONSTRUCTION

Fiscal Year	Public School Construction Grants	Public School Construction Loans	Total Authorized for Public School Construction	Total Debt Authorized	Percent for Public Schools
1972	150,000		150,000	268,203	55.9
1973	300,000		300,000	470,785	63.7
1974	220,000	25,000	245,000	463,565	52.9
1975	212,000		212,000	412,827	51.4
1976	160,000		160,000	375,956	42.6
1977	50,000		50,000	180,181	27.8
1978	69,000		69,000	169,908	40.6
1979	57,000		57,000	192,396	29.6
1980	62,000		62,000	154,387	40.2
1981	45,000		45,000	212,260	21.2
1982	45,000	2,000	47,000	174,418	26.9
1983	32,000	2,000	34,000	184,998	18.4
1984	22,000	900	22,900	194,999	11.7
1985	36,000		36,000	209,800	17.2
1986	34,600		34,600	219,837	15.7

Prepared by: Department of Fiscal Services
August 1985

MINORITY REPORT

By Robert C. Embry, Jr., submitted in behalf of himself,
Senator Nathan Irby, Delegate Wendell Phillips and Delegate
Dennis Donaldson

We concur in the various recommendations adopted by the Task Force. However, there is one area which we believe has not been satisfactorily addressed.

This Minority Report is offered to propose that the State recognize the serious problem faced by those subdivisions which cannot afford to finance the local portion of school capital requirements called for under the present program. Extensive testimony to our Task Force revealed a much higher level of local contributions than is the general impression.

We are aware that the degree of financial stress in some of Maryland's subdivisions is severe and that the fiscal disparities are wide and growing. (In 1985, wealth per pupil used for calculating education aid ranged from \$61,639 to \$207,212, a variation of 336%. In 1986, the range was \$68,233 to \$235,141, a variation of 345%.)

School construction aid should bear some relationship to the subdivisions' ability to pay. The requirement for local contribution should not prevent a county from being able to participate in the State's school construction program. Further, the required local contribution should not operate to the detriment of the local government's ability to finance the ongoing educational program.

For these reasons we urge that the General Assembly and the Governor give serious consideration to the general proposition that ability to pay is a relevant factor in the school construction program.

Respectfully submitted,

Robert C. Embry, Jr.

0707A

EXHIBITS

COMPARISON OF TOTAL ANNUAL
CAPITAL IMPROVEMENT PROGRAM REQUESTS
AND ANNUAL AUTHORIZATIONS

<u>Fiscal Year</u>	<u>Actual Requested (\$000)</u>	<u>Authorized*</u> <u>(\$000)</u>	<u>Percent Authorized to Requests</u>	<u>Percent for Period Indicated</u>
1972	\$427,200	\$150,000	35.1	53.1%
1973	417,062	300,000	71.9	
1974	402,050	220,000	54.7	
1975	392,365	212,000	54.0	
1976	320,468	160,000	49.9	
1977	246,559	50,000	20.3	
1978	202,372	69,000	34.1	39.8%
1979	102,970	57,000	55.4	
1980	110,772	62,000	56.0	
1981	96,474	45,000	46.6	
1982	88,594	45,000	50.8	
1983	47,138	32,000	67.9	
1984	58,360	22,000	37.7	
1985	84,794	36,000	42.5	
1986	<u>90,241</u>	<u>34,600</u>	<u>38.3</u>	
TOTAL	<u>\$3,087,419</u>	<u>\$1,494,600</u>	<u>48.4</u>	

Projected
Requests**
(\$ Millions)

1987	\$140.8
1988	108.3
1989	111.7
1990	85.9
1991	<u>73.2</u>
	<u>\$519.9</u>

* The "Authorized" amounts were actually approved in the year prior to the Fiscal Year indicated on this chart, but were to be applied to the requests in the Fiscal Year shown above.

** Based on Submission of Capital Improvement Program in October, 1984.

Source: Interagency Committee on Public School Construction

Prepared by: Department of Fiscal Services, September, 1985

BOND ALLOCATIONS AND DEBT ASSUMPTION-SCHOOL CONSTRUCTION PROGRAM

ID	COUNTY	NEW PROGRAM ALLOCATIONS	DEBT SERVICE PAID	DEBT SERVICE ASSUMED OUTSTANDING	TOTAL (COLS. 1-3)
1	ALLEGANY	37,052,923	5,043,793	694,160	42,790,876
2	ANNE ARUNDEL	181,178,930	57,881,048	6,393,171	245,453,149
3	BALTIMORE CITY	237,835,370	147,190,691	19,821,767	404,847,828
4	BALTIMORE	106,106,929	123,846,883	25,044,935	254,998,747
5	CALVERT	29,712,476	1,233,824	0	30,946,300
6	CAROLINE	15,667,112	3,484,175	619,633	19,770,920
7	CARROLL	52,554,471	3,109,702	0	55,664,173
8	CECIL	21,336,472	6,886,710	181,825	28,405,007
9	CHARLES	52,163,236	9,608,594	727,300	62,499,130
10	DORCHESTER	32,827,375	3,651,547	546,800	37,025,722
11	FREDERICK	71,335,019	19,142,465	3,285,675	93,763,159
12	GARRETT	23,664,019	939,619	0	24,603,638
13	HARFORD	84,045,899	19,240,691	3,122,205	106,408,795
14	HOWARD	78,230,890	8,758,888	400,880	87,390,658
15	KENT	7,628,740	432,808	0	8,061,548
16	MONTGOMERY	149,730,115	88,547,614	9,776,143	248,053,872
17	PRINCE GEORGE'S	132,632,469	126,349,863	22,924,081	281,906,413
18	QUEEN ANNE'S	12,063,664	3,828,066	0	15,891,730
19	ST. MARY'S	31,660,305	3,345,538	0	35,005,843
20	SOMERSET	22,829,079	1,479,807	0	24,308,886
21	TALBOT	6,761,915	3,980,879	0	10,742,794
22	WASHINGTON	40,494,075	12,838,826	2,102,494	55,435,395
23	WICOMICO	30,791,351	8,235,435	413,000	39,439,786
24	WORCESTER	24,344,177	510,542	0	24,854,719
25	STATE PROJECTS	10,352,626	0	0	10,352,626
26	STWD CONTING'CV	1,600,363	0	0	1,600,363
	TOTAL	1,494,600,000	659,568,008	96,054,069	2,250,222,077

● Col. 1 reflects allocations only as of 7/31/85; it does not reflect interest due on the bond or cash advances to the subdivisions.

● Col. 2 reflects actual payments as of 6/30/85 on assumed debt.

● Col. 3 reflects the debt service outstanding as of 6/30/85 on the assumed debt.

Source: Interagency Committee on Public School Construction
Prepared by: Dept. of Fiscal Services, 9/85.

TOTAL STATE PUBLIC SCHDOL CAPITAL DEBT PAYMENTS

PROG YR	FISCAL YEAR	BY FISCAL YEAR - FV 1972-1986 NEW PRDG (PRIN+INT)	DEBT SVC ASSUMED	TOTAL (CDL 1 & 2)
1	1972	1,985,999	62,921,000	64,906,999
2	1973	1,418,001	59,757,000	61,175,001
3	1974	9,153,998	61,486,000	70,639,998
4	1975	20,622,999	58,127,000	78,749,999
5	1976	34,241,001	57,662,000	91,903,001
6	1977	52,119,001	56,275,000	108,394,001
7	1978	70,739,828	53,693,000	124,432,828
8	1979	85,331,904	48,468,000	133,799,904
9	1980	99,945,384	44,322,000	144,267,384
10	1981	111,483,741	40,275,000	151,758,741
11	1982	124,949,469	35,700,000	160,649,469
12	1983	134,235,791	29,363,000	163,598,791
13	1984	146,043,000	27,211,000	173,254,000
14	1985	153,956,000	24,299,000	178,255,000
	SUBTOTAL	1,046,226,116	659,559,000	1,705,785,116
15	1986(PRDJ)	158,533,000	21,733,000	180,266,000
	TOTAL	1,204,759,116	681,292,000	1,886,051,116

Source: Dept. of Budget & Fiscal Planning.
Prepared by: Dept. of Fiscal Services, 9/85.

EXHIBIT 4

PUBLIC SCHOOL CONSTRUCTION PROGRAM
OUTSTANDING STATE DEBT SERVICE COSTS
ON BONDS ISSUED
@ 6/30/85
(\$ Millions)

	Local Debt <u>Assumed</u>	"New Program" Debt Service <u>Outstanding</u>	
1986	\$ 21.76	\$ 167.78	
1987	18.53	165.45	
1988	14.54	156.84	
1989	10.98	149.05	
1990	8.87	137.08	
1991	7.26	113.42	
1992	5.54	86.74	
1993	3.26	62.39	
1994	2.16	48.98	
1995	1.46	41.45	
1996	1.36	36.06	
1997	.35	28.41	
1998	.64	20.00	
1999		7.88	
2000		<u>3.01</u>	
Total	<u>\$ 96.71</u>	<u>\$1,224.54</u>	= <u>\$ 1,321.24</u>

Source: Office of the Comptroller

Prepared by: Department of Fiscal Services, September, 1985

EXHIBIT 5

**PUBLIC SCHOOL CONSTRUCTION PROGRAM
PROJECTED STATE DEBT SERVICE COSTS
ON BONDS AUTHORIZED, BUT UNISSUED
@ 6/30/85
(\$ Millions)**

	Projected Debt Service "New Program" <u>Authorized, but Unissued*</u>
1986	\$ 1.64
1987	4.92
1988	7.37
1989	8.96
1990	9.75
1991	9.75
1992	9.75
1993	9.75
1994	9.75
1995	9.75
1996	9.75
1997	9.75
1998	9.75
1999	9.75
2000	9.75
2001	7.31
2002	<u>2.44</u>
Total	\$139.89

* Assumes that the authorized, but unissued bonds (as of 6/30/85) of \$73 Million will be issued at a 9% interest rate with 25% issued in FY 1986, 50% issued in FY 1987, and 25% issued in FY 1988.

Source: Office of the Comptroller

Prepared by: Department of Fiscal Services, September, 1985

EXHIBIT 6

**PROJECTED STATE DEBT SERVICE COSTS
ASSUMING A 5-YEAR PROGRAM AT SPECIFIED LEVELS
(\$ Millions)**

Outstanding Debt Service Costs (Issued Bonds):

Local Debt Assumed	\$ 96.7	
"New Program"	<u>1,224.5</u>	
		\$ 1,321.2

Projected Outstanding Debt Service Costs (Unissued Bonds)	<u>139.9</u>	
Subtotal (Projected Debt Service for Existing Authorizations)		\$ <u>1,461.1</u>

**Projected Debt Service Assuming a 5-Year Program of
Annual Fixed Levels of Authorizations as follows:**

\$30 Million/Year for 5-Years	\$ 287.4
-------------------------------	----------

Incremental Costs (Above the \$30 Million Level):

\$40 Million/Year for 5-Years	\$ 95.9
-------------------------------	---------

\$50 Million/Year for 5-Years	\$ 191.7
-------------------------------	----------

\$60 Million/Year for 5-Years	\$ 287.5
-------------------------------	----------

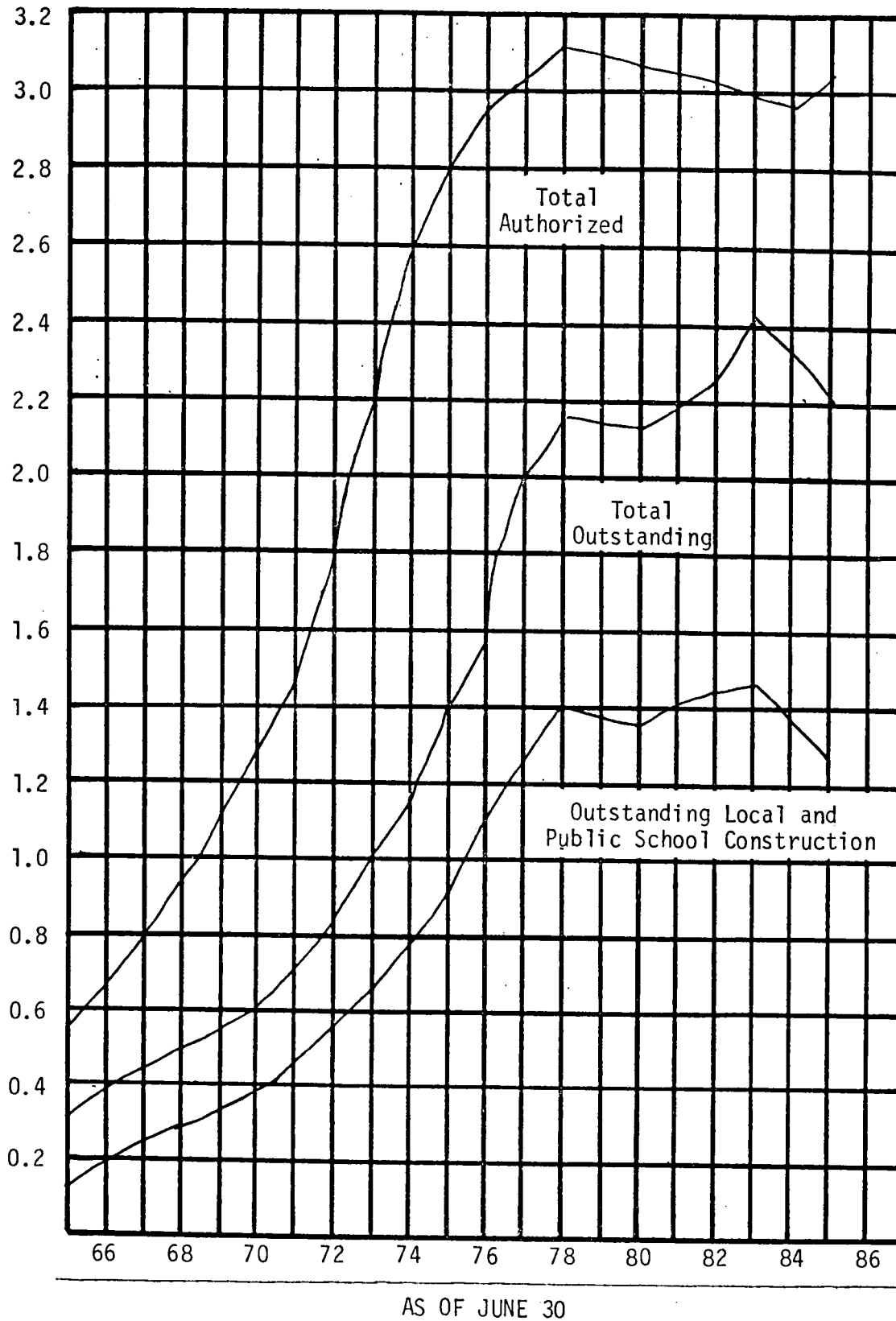
Note: The projected debt service costs assuming a 5-Year Program is based on the annual bond authorization level specified above at the 1986-1990 Legislative Sessions (and no authorizations beyond the 1990 Session have been included in the calculations). The projections assume that bonds will be authorized at a 9% interest rate with each authorization issued over a 3-year period as follows: 25% - 1st year; 50% - 2nd year; and 25% - 3rd year.

Prepared by: Department of Fiscal Services, September, 1985

GENERAL OBLIGATION DEBT AT JUNE 30

FISCAL YEARS 1965 - 1985

(\$ Billions)



Source: Report of the Capital Debt Affordability Committee (August 1, 1985)

January 4, 1985

FUNDS AUTHORIZED FOR CAPITAL IMPROVEMENTS
MARYLAND GENERAL ASSEMBLY 1970 - 1984

Year	STATE OWNED			NON-STATE OWNED			Total Authorization
	Funds	%	PSCP*	%	Other	%	
1970	\$ 87,815,500	84.7	\$ -0-	-0-	\$ 15,815,000	15.3	\$ 103,630,500
1971	96,097,500	34.7	150,000,000	54.1	31,125,000	11.2	277,222,500
1972	139,207,500	29.3	300,000,000	63.2	35,378,000	7.5	474,585,500
1973	110,081,700	25.3	220,000,000	50.6	104,482,900	24.1	434,564,600
1974	90,815,300	22.1	212,000,000	51.6	108,013,800	26.3	410,829,100
1975	110,730,723	30.4	100,000,000	44.0	93,225,000	25.6	363,955,723
1976	64,536,000	37.0	50,000,000	28.7	59,900,000	34.3	174,436,000
1977	90,434,200	51.0	69,000,000	38.9	17,812,860	10.1	177,247,060
1978	102,746,200	48.2	57,000,000	26.7	53,403,800	25.1	213,150,000
1979	79,174,500	44.9	62,000,000	35.1	35,342,000	20.0	176,516,500
1980	124,203,812	51.6	45,000,000	18.7	71,407,500	29.7	240,611,312
1981	92,505,000	52.8	45,000,000	25.7	37,748,000	21.5	175,253,000
1982	97,783,000	52.5	32,000,000	17.2	56,297,000	30.3	186,080,000
1983	100,833,000	51.5	22,000,000	11.2	73,111,500	37.3	195,944,500
1984	117,416,000	55.9	36,000,000	17.1	56,686,900	27.0	210,102,900
Authorizations cancelled	\$1,525,179,935 (34,357,100)		\$1,460,000,000 (0)		\$870,549,260 (15,625,000)		\$3,855,729,195 (49,982,100)
TOTAL	\$1,490,822,835 ⁽¹⁾	39.18	\$1,460,000,000	38.36	\$854,924,260 ⁽³⁾	22.46	\$3,805,747,095 ⁽¹⁾⁽²⁾
			\$2,314,924,260 ⁽¹⁾⁽²⁾		60.82%		

EXHIBIT 8

NOTES: (1) The Outdoor Recreation Loan of 1969 in the amount of \$41,600,000 (\$20.8 million for State owned and \$20.8 million for Non-State owned - other) is included in the totals, but not listed - as amended 1981.

(2) Does not include the General Public School Construction Loan of 1970 (\$50 million).

(3) Supplemental Public School Construction Loans for the period 1971-1984 total \$29,900,000 and are included in the Non-State owned - other category.

* PSCP = Public School Construction Program

SOURCE: Historical Summary of Capital Improvements Authorized by General Assembly 1970 through 1984 (July 1984).

Prepared by: Interagency Committee, July, 1984

SCHOOL AND OTHER OBLIGATION DEBT (\$ MIL)

STATE PUBLIC SCHOOL CONSTRUCTION					OTHER GENERAL OBLIGATION			
Fiscal Year	Debt Service(1)	New Authorizations	Bonds Issues	Debt Outstanding At End of Yr.	Debt Service	New Authorizations	Bonds Issues	Debt Outstanding At End of Yr.
1971		150.0				118.2		
1972	2.0	300.0	90.3	90.3	78.1	170.8	113.7	785.9
1973	1.4	220.0	73.3	163.3	87.4	243.6	120.2	855.4
1974	9.2	212.0	114.4	277.7	96.1	200.8	47.7	843.3
1975	20.6	160.0	186.0	458.6	105.2	216.0	167.6	943.6
1976	34.2	50.0	162.7	611.6	121.3	130.2	228.9	1098.7
1977	52.1	69.0	230.5	825.9	132.7	100.9	217.7	1240.0
1978	70.7	57.0	121.7	920.3	146.1	135.4	96.4	1252.7
1979	85.3	62.0	70.8	953.8	159.3	92.4	44.5	1200.3
1980	100.0	45.0	48.2	915.3	169.0	167.3	69.1	1193.8
1981	111.5	45.0	111.2	979.0	174.5	129.4	159.9	1225.1
1982	125.0	32.0	65.5	980.9	186.4	153.0	122.7	1226.8
1983	134.2	22.0	86.4	1006.6	196.3	173.0	305.8	1403.3
1984	146.0	36.0	36.5	955.9	215.3	173.8	80.2	1358.4
1985	154.0	34.6	24.0	885.2	226.8	285.2	114.9	1346.1
1986(proj)	158.5		0.0		244.4		0.0	
TOTALS	1204.7	1494.6	1421.5		2338.9	2490.0	1889.3	

(1) Reflects payments for the "new program" only authorized under Chapter 624, Laws of 1971. It does not include prior programs or the state's grant for the cost of the assumed local debt service.

Sources: Dept. of Budget and Fiscal Planning
Office of the Comptroller

Prepared by: Dept. of Fiscal Services, 9/85

DEBT OUTSTANDING AT CLOSE OF YEAR (\$ MIL.)

Fiscal Year	State General Obligation	Local General Obligation*	Ratio Local/ State
1971	720.8	2134.3	3.0
1972	876.2	2362.1	2.7
1973	1018.7	2453.1	2.4
1974	1121.0	2512.9	2.2
1975	1402.2	2584.8	1.8
1976	1710.3	2730.9	1.6
1977	2065.9	2822.8	1.4
1978	2173.0	2874.1	1.3
1979	2154.1	2909.1	1.4
1980	2109.1	3105.7	1.4
1981	2204.1	3266.2	1.5
1982	2207.7	3526.0	1.6
1983	2409.9	3536.4	1.5
1984	2314.3	3663.2	1.6
1985	2231.3	N/A	--

N/A-Not Available

* Note: Local General Obligation includes the combined General Obligation debt of all counties and Baltimore City, all self-liquidating debt, and all obligation debt from Towns and Special Districts as reported in State of Maryland Preliminary Official Statement issued prior to each sale of State of Maryland General Obligation Bonds.

Sources: Department of Fiscal Services
Office of the Comptroller

Prepared by: Department of Fiscal Services, 9/85

TOTAL STATE PUBLIC SCHOOL CAPITAL DEBT PAYMENTS
BY COUNTY (AS OF 6/30/85) FOR FISCAL YEARS 1972-1986

ID	COUNTY	NEW PROG (PRIN+INT)	DEBT SVC ASSUMED	TOTAL (COLS. 1&2)
1	ALLEGANY	28,992,613	5,225,000	34,217,613
2	ANNE ARUNDEL	161,158,328	59,137,000	220,295,328
3	BALTO. CITY	177,342,761	151,121,000	328,463,761
4	BALTIMORE	88,935,234	128,648,000	217,583,234
5	CALVERT	23,602,202	1,235,000	24,837,202
6	CAROLINE	14,581,721	3,623,000	18,204,721
7	CARROLL	36,639,570	3,109,000	39,748,570
8	CECIL	15,830,827	7,068,000	22,898,827
9	CHARLES	44,860,237	9,978,000	54,838,237
10	DORCHESTER	26,430,839	3,774,000	30,204,839
11	FREDERICK	57,721,772	19,769,000	77,490,772
12	GARRETT	16,154,611	938,000	17,092,611
13	HARFORD	69,887,775	20,133,000	90,020,775
14	HOWARD	69,312,934	8,951,000	78,263,934
15	KENT	7,438,129	495,000	7,933,129
16	MONTGOMERY	119,828,011	91,950,000	211,778,011
17	PRINCE GEORGE	110,816,220	131,189,000	242,005,220
18	QUEEN ANNE'S	9,060,852	3,828,000	12,888,852
19	ST. MARY'S	23,951,543	3,346,000	27,297,543
20	SOMERSET	20,132,858	1,479,000	21,611,858
21	TALBOT	6,148,810	3,983,000	10,131,810
22	WASHINGTON	36,774,335	13,362,000	50,136,335
23	WICOMICO	25,026,276	8,443,000	33,469,276
24	WORCESTER	14,130,658	508,000	14,638,658
	TOTAL	1,204,759,116	681,292,000	1,886,051,116

Source: Dept. of Budget & Fiscal Planning
Prepared by: Dept. of Fiscal Services, 9/85.

PROPERTY TAX EQUIVALENTS OF STATE PUBLIC SCHOOL CAPITAL DEBT PAYMENTS
BY FISCAL YEAR

CO	COUNTY	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	15 YEAR AVG
1	ALLEGANY	.18	.17	.20	.22	.28	.38	.46	.52	.50	.56	.55	.55	.54	.54	.53	.41
2	ANNE ARUNDEL	.50	.44	.43	.49	.52	.59	.63	.65	.58	.56	.56	.50	.48	.41	.38	.51
3	BALTIMORE CITY	.43	.44	.47	.52	.57	.58	.70	.66	.65	.65	.67	.61	.60	.58	.53	.58
4	BALTIMORE	.38	.34	.32	.34	.32	.31	.31	.30	.26	.26	.25	.22	.21	.20	.19	.28
5	CALVERT	.26	.20	.26	.36	.18	.21	.18	.20	.18	.20	.23	.24	.26	.26	.26	.23
6	CAROLINE	.60	.50	.60	.78	.85	1.02	1.18	1.21	1.25	1.27	1.22	1.16	1.14	1.05	.99	.99
7	CARROLL	.16	.10	.13	.18	.25	.32	.36	.38	.36	.36	.39	.40	.41	.41	.42	.31
8	CECIL	.53	.40	.38	.36	.37	.41	.45	.42	.39	.39	.41	.39	.39	.42	.41	.41
9	CHARLES	.33	.25	.30	.36	.42	.50	.55	.58	.58	.59	.59	.57	.56	.54	.52	.48
10	DORCHESTER	.31	.28	.32	.43	.55	.78	.93	.99	1.08	1.12	1.16	1.13	1.21	1.19	1.14	.84
11	FREDERICK	.41	.34	.40	.45	.49	.56	.60	.60	.56	.59	.63	.62	.63	.61	.56	.54
12	GARRETT	.15	.12	.15	.23	.32	.44	.54	.58	.58	.61	.66	.67	.71	.68	.69	.48
13	HARFORD	.34	.31	.32	.40	.45	.52	.57	.62	.59	.64	.66	.66	.67	.63	.61	.53
14	HOWARD	.20	.15	.18	.24	.28	.36	.40	.45	.45	.45	.45	.43	.41	.37	.34	.34
15	KENT	.13	.11	.31	.20	.26	.30	.38	.43	.47	.48	.48	.45	.44	.41	.39	.35
16	MONTGOMERY	.26	.20	.21	.20	.21	.22	.22	.22	.20	.19	.18	.17	.16	.14	.14	.19
17	PRINCE GEORGE'S	.40	.34	.36	.37	.36	.34	.33	.34	.32	.31	.29	.27	.26	.25	.23	.32
18	QUEEN ANNE'S	.29	.27	.28	.29	.26	.29	.33	.34	.33	.33	.43	.43	.45	.49	.48	.35
19	ST. MARY'S	.35	.24	.30	.38	.37	.44	.49	.52	.52	.52	.52	.51	.52	.52	.50	.45
20	SOMERSET	.28	.28	.34	.42	.65	.95	1.25	1.46	1.62	1.72	1.76	1.71	1.69	1.57	1.50	1.15
21	TALBOT	.26	.24	.27	.28	.28	.32	.25	.25	.21	.22	.22	.21	.20	.18	.14	.24
22	WASHINGTON	.29	.26	.31	.33	.36	.43	.48	.53	.49	.52	.50	.46	.46	.46	.43	.42
23	WICOMICO	.32	.30	.32	.35	.38	.43	.47	.48	.47	.47	.48	.47	.46	.47	.46	.42
24	WORCESTER	.03	.03	.03	.04	.05	.09	.12	.14	.15	.18	.21	.23	.24	.22	.20	.13
STATEWIDE AVERAGE		.35	.31	.32	.34	.35	.38	.40	.41	.39	.39	.38	.36	.35	.33	.31	.36

Source: Dept. of Budget and Fiscal Planning
Prepared by: Dept. of Fiscal Services

\$/FTE ENROLLMENT EQUIVALENTS OF STATE PUBLIC SCHOOL CAPITAL DEBT PAYMENTS
BY FISCAL YEAR

CO	COUNTY	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985	1986	15 YEAR AVG
1	ALLEGANY	33	34	41	49	70	101	132	158	192	233	264	291	321	329	346	173
2	ANNE ARUNDEL	81	78	92	113	140	173	211	235	261	275	276	295	316	325	338	214
3	BALTIMORE CITY	72	75	81	90	105	125	146	155	169	189	218	224	250	273	278	163
4	BALTIMORE	88	84	92	101	112	121	133	140	149	163	173	175	187	195	206	141
5	CALVERT	44	37	59	91	119	161	190	222	253	288	330	366	401	426	427	228
6	CAROLINE	69	61	80	109	139	187	239	274	325	367	391	412	446	447	455	267
7	CARROLL	32	21	32	46	73	101	126	143	157	170	194	218	249	269	278	141
8	CECIL	80	67	71	67	78	94	113	115	123	131	150	160	176	207	221	124
9	CHARLES	71	62	82	102	129	171	206	234	264	283	302	319	344	367	377	221
10	DORCHESTER	54	57	71	99	144	224	300	373	465	528	609	637	722	750	784	388
11	FREDERICK	90	80	106	123	148	180	208	226	246	269	313	338	376	388	385	232
12	GARRETT	25	24	33	52	83	130	171	212	252	275	313	344	394	414	440	211
13	HARFORD	57	55	66	87	112	141	166	190	214	249	285	311	353	368	386	203
14	HOWARD	53	47	67	92	120	160	203	232	270	293	324	342	368	376	372	221
15	KENT	27	25	74	49	77	100	147	185	230	261	291	312	337	350	358	188
16	MONTGOMERY	79	69	78	78	91	111	124	136	149	163	177	190	208	212	217	139
17	PRINCE GEORGE'S	79	71	84	91	102	110	122	127	137	144	150	155	170	181	184	127
18	QUEEN ANNE'S	59	60	71	79	86	107	132	152	179	196	222	249	282	311	333	163
19	ST. MARY'S	44	34	49	68	81	109	136	157	181	192	222	249	282	311	333	163
20	SOMERSET	37	39	52	72	129	213	307	401	514	586	660	715	775	799	815	408
21	TALBOT	77	78	90	102	127	166	151	165	167	194	213	235	244	254	217	165
22	WASHINGTON	56	54	67	74	94	122	151	176	201	228	246	246	264	283	291	170
23	WICOMICO	62	63	73	85	114	140	168	189	218	237	264	282	290	318	323	188
24	WORCESTER	11	11	16	22	41	70	104	137	176	224	294	367	439	461	478	190
	STATEWIDE AVERAGE	73	69	79	90	107	128	150	165	184	202	222	235	259	273	280	168

Source: FTE- Dept. of Education; Capital Debt- Dept of Budget & Fiscal
Planning
Prepared by: Dept. of Fiscal Services, 9/85.

STATE PUBLIC SCHOOL CONSTRUCTION AID-FUNDING EQUIVALENTS

* COUNTY	FY 1985 FTE ENROLLMENT	-AID EQUIV- 15 YR AVG- \$FTE TAX RT	* COUNTY	FY 1986 WEALTH/FTE \$	-AID EQUIV- 15 YR AVG \$FTE TAX RT
KENT	2,335	.188	CAROLINE	65,765	.267
SOMERSET	3,144	.408	SOMERSET	66,202	.408
TALBOT	3,535	.165	CECIL	75,179	.124
CAROLINE	4,135	.267	GARRETT	75,473	.211
QUEEN ANNE'S	4,453	.190	BALTIMORE CITY	78,146	.163
DORCHESTER	4,735	.388	ST. MARY'S	85,843	.163
WORCESTER	4,803	.190	ALLEGANY	86,851	.173
GARRETT	5,105	.211	CHARLES	86,953	.221
CALVERT	7,610	.228	DORCHESTER	87,659	.388
ST. MARY'S	10,305	.163	HARFORD	91,930	.203
WICOMICO	10,786	.188	WICOMICO	92,083	.188
ALLEGANY	11,288	.173	WASHINGTON	94,549	.170
CECIL	11,599	.124	FREDERICK	97,168	.232
CHARLES	16,177	.221	CARROLL	99,542	.141
WASHINGTON	16,964	.170	QUEEN ANNE'S	115,693	.190
CARROLL	18,629	.141	PRINCE GEORGE'S	115,714	.127
FREDERICK	22,505	.232	KENT	120,532	.188
HOWARD	23,469	.221	ANNE ARUNDEL	120,634	.214
HARFORD	26,337	.203	HOWARD	145,713	.221
ANNE ARUNDEL	61,200	.214	CALVERT	158,077	.228
BALTIMORE	78,273	.141	BALTIMORE	162,959	.141
MONTGOMERY	87,508	.139	TALBOT	200,045	.165
PRINCE GEORGE'S	102,304	.127	MONTGOMERY	217,621	.139
BALTIMORE CITY	105,710	.163	WORCESTER	223,868	.190
STATEWIDE	642,909	.168	STATEWIDE	125,695	.168
					.36

.Source:Wealth-Dept. of Assessments & Taxation; FTE-Dept. of Edu-
cation; State Aid Payments-Dept. of Budget & Fiscal Pl.

.Prepared by: Dept. of Fiscal Services, 9/85.

PUBLIC SCHOOL HISTORICAL ENROLLMENTS 1971 - 1984

	1971	1972	1973	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984
BALTIMORE CITY	189268	185471	181438	171299	163991	154727	149668	145920	133414	126718	120380	114287	113320	109611
ALLEGANY COUNTY	17589	17273	16988	16412	15993	15438	15153	14644	14044	13472	12863	12344	12251	11737
ANNE ARUNDEL COUNTY	75431	77071	79089	77836	77770	77031	75471	74031	71969	69845	67142	65251	64152	63267
BALTIMORE COUNTY	134136	131969	128700	126091	123371	119341	113900	108279	102575	97325	92218	87723	83931	80944
CALVERT COUNTY	4117	4287	4530	4712	4806	7122	7406	7722	7801	7797	7712	7677	7775	7721
CAROLINE COUNTY	5346	5345	5296	5301	5251	5194	5041	4869	4694	4638	4490	4365	4342	4292
CARROLL COUNTY	17213	17947	18442	18746	19226	19778	20145	20318	20294	20088	19734	19398	19194	19362
CECIL COUNTY	12349	12478	13513	13473	13401	13310	13282	13282	13047	12831	12575	12385	12187	11998
CHARLES COUNTY	14370	15575	16238	16700	16972	17309	17719	17807	17494	17515	17354	16911	16741	16666
DORCHESTER COUNTY	6467	6373	6300	6191	6129	6032	5791	5503	5329	5140	5185	5039	5040	4891
FREDERICK COUNTY	20914	21472	21922	22084	22447	22942	23483	23655	23642	23459	23343	23122	23141	23396
GARRETT COUNTY	5707	5794	5783	5729	5780	5844	5741	5584	5530	5385	5340	5227	5111	5107
HARFORD COUNTY	31420	32418	33332	33253	33719	33848	33589	33094	32021	30870	29819	28576	27712	27503
HOWARD COUNTY	19049	20429	21977	23123	24007	24657	25440	25666	25400	25227	24803	24195	23934	24259
KENT COUNTY	3926	3880	3815	3847	3600	3444	3314	3204	3025	2850	2657	2522	2459	2407
MONTGOMERY COUNTY	126206	126310	125489	123615	121438	116838	112010	106808	101922	98124	94631	91158	90133	90582
PRINCE GEORGE'S COUNTY	162617	161775	154302	151024	148336	144583	139302	133413	127212	121981	116121	111747	108167	105817
QUEEN ANNE'S COUNTY	4771	4717	4651	4643	4756	4884	4925	4809	4773	4723	4604	4597	4573	4619
ST. MARY'S COUNTY	11836	11752	11941	11999	11905	12073	12291	12384	12417	12044	11444	11040	10788	10742
SOMERSET COUNTY	4429	4508	4421	4357	4270	4226	4065	3886	3784	3633	3504	3640	3354	3266
TALBOT COUNTY	5038	4991	4950	4816	4645	4500	4460	4270	4145	3994	3852	3758	3657	3679
WASHINGTON COUNTY	23864	23851	23607	23254	22924	22489	22041	21287	20525	19903	19054	18539	17922	17630
WICOMICO COUNTY	14392	14311	14106	13673	13504	13313	13025	12440	12227	11990	11590	11468	11293	11301
WORCESTER COUNTY	6607	6589	6612	6528	6341	6196	6043	5815	5581	5398	5071	4958	4949	5001
STATE TOTAL	919782	918586	908442	890506	876582	857309	833545	806012	773089	745154	715490	692149	674176	645838

DATA PREPARED BY MARYLAND DEPARTMENT OF STATE PLANNING

TOTAL SCHOOL ENROLLMENT

PUBLIC SCHOOL HISTORICAL 1984 AND PROJECTED ENROLLMENT 1985-1994

	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994
BALTIMORE CITY	109611	108010	107090	106700	106010	105990	106030	106250	106590	106400	106100
ALLEGANY COUNTY	11757	11590	11470	11220	10940	10710	10620	10630	10730	10770	10890
ANNE ARUNDEL COUNTY	63267	62830	62580	62850	62590	62660	63240	64240	65430	66770	68180
BALTIMORE COUNTY	80964	78860	77420	76620	75780	75620	75980	77040	78360	79560	80860
CALVERT COUNTY	7921	8040	8160	8300	8440	8580	8820	9150	9460	9820	10180
CAROLINE COUNTY	4292	4300	4330	4370	4370	4430	4490	4580	4650	4740	4820
CARROLL COUNTY	19362	19310	19260	19270	19270	19280	19550	19910	20330	20690	21170
CECIL COUNTY	11998	11860	11690	11570	11450	11330	11300	11370	11410	11480	11530
CHARLES COUNTY	16666	16630	16660	16720	16790	17000	17440	18070	18750	19450	20270
DORCHESTER COUNTY	4891	4830	4780	4750	4660	4600	4570	4580	4610	4630	4640
FREDERICK COUNTY	23396	23680	24080	24250	24370	24520	24840	25300	25830	26440	27100
GARRETT COUNTY	5107	5090	5050	5000	4930	4870	4890	4960	5020	5110	5200
HARFORD COUNTY	27303	26680	26260	25950	25550	25280	25340	25620	25930	26290	26730
HOWARD COUNTY	24259	24310	24190	24360	24620	25120	25870	26770	27670	28730	29850
KENT COUNTY	2407	2340	2320	2290	2270	2270	2260	2260	2280	2280	2300
MONTGOMERY COUNTY	90582	90260	90310	90190	90530	91710	93590	95820	98020	100260	102550
PRINCE GEORGE'S COUNTY	105817	103390	101470	100280	98470	97630	97780	98510	99440	100350	101110
QUEEN ANNE'S COUNTY	4619	4650	4720	4790	4880	4970	5110	5290	5480	5610	5720
ST. MARY'S COUNTY	10742	10730	10700	10710	10710	10760	10950	11230	11510	11830	12190
SOMERSET COUNTY	3266	3270	3270	3300	3290	3260	3260	3300	3340	3360	3380
TALBOT COUNTY	3679	3660	3680	3700	3680	3700	3730	3810	3890	3970	4040
WASHINGTON COUNTY	17630	17340	17030	16790	16610	16450	16450	16570	16730	16890	17130
WICOMICO COUNTY	11301	11310	11380	11460	11480	11550	11680	11870	12060	12180	12360
WORCESTER COUNTY	5001	4960	4970	5010	5080	5140	5240	5360	5490	5610	5730
STATE TOTAL	665838	657910	652850	650450	646760	647430	653010	662460	672980	683230	694030

ALL PROJECTED FIGURES ROUNDED TO NEAREST TEN
PROJECTIONS PREPARED BY MARYLAND DEPARTMENT OF STATE PLANNING

SQUARE FOOTAGE OF PUBLIC SCHOOL BUILDINGS (1)
(000)

COUNTY	P1900	1901 T1910	1911 T1920	1921 T1930	1931 T1940	1941 T1950	1951 T1960	1961 T1970	1971 T1980	1981 T1982	TOTAL
ALLEGANY	-	-	8	122	532	13	468	424	402	7	1,976
ANNE ARUNDEL	188	-	-	28	95	372	1,341	3,505	4,606	327	10,462
BALTIMORE	-	49	-	359	275	810	3,984	5,504	2,299	209	13,489
CALVERT	-	-	-	-	-	50	62	183	600	18	913
CAROLINE	-	-	-	-	11	43	83	248	343	13	741
CARROLL	-	-	-	36	253	202	401	883	890	63	2,728
CECIL	-	-	-	11	139	80	539	526	239	94	1,628
CHARLES	-	-	-	18	13	32	234	858	1,018	8	2,181
DORCHESTER	-	-	-	-	-	-	187	82	481	51	801
FREDERICK	-	-	-	87	95	22	547	977	1,388	134	3,250
GARRETT	-	-	-	24	8	-	148	106	291	35	612
HARFORD	-	6	7	5	64	258	592	1,317	1,982	172	4,403
HOWARD	-	-	-	8	25	15	232	1,010	2,279	157	3,726
KENT	-	-	-	-	-	51	95	61	330	-	537
MONTGOMERY	-	-	-	18	242	635	3,145	5,803	2,751	149	12,743
PRINCE GEORGE'S	-	-	-	32	156	293	2,369	7,995	3,277	287	14,409
QUEEN ANNE'S	-	-	14	-	19	-	108	242	183	-	566
ST. MARY'S	-	-	-	-	-	58	306	442	634	66	1,506
SOMERSET	-	-	-	-	-	11	75	44	409	44	583
TALBOT	-	-	-	-	-	-	237	158	231	-	626
WASHINGTON	-	-	-	37	47	43	838	639	1,124	7	2,735
WICOMICO	-	-	-	55	164	124	459	539	463	28	1,832
WORCESTER	-	-	-	-	-	-	272	363	255	16	906
BALTIMORE CITY	77	259	94	2,005	1,274	376	4,074	5,554	6,087	814	20,614
	265	314	123	2,845	3,412	3,488	20,796	37,463	32,562	2,699	103,967

(1) not adjusted for renovation(s) in subsequent years.

Prepared by: Interagency Committee, September, 1985

OUTSTANDING BOND DEBT - SURPLUS SCHOOLS

<u>Fiscal Year</u>	<u>County Assumption/Reassumption</u>	<u>State Continued Payment</u>
77	\$ 35,463	\$ 19,126
78	124,627	46,351
79	97,702	37,657
80	75,839	76,053
81	100,607	78,536
82	209,771	93,222
83	1,058,911	382,481
84	1,305,286	424,976
85	2,208,035	967,803
86	2,363,778	695,825
87	1,912,823	519,092
88	1,298,249	397,208
89	949,644	386,903
90	501,484	202,876
91	236,611	89,988
92	60,759	57,217
93	9,901	40,261
94	2,958	40,230
95	2,535	-
96	911	-
	<hr/>	<hr/>
	\$12,555,894	\$4,555,805

Prepared by: Interagency Committee, September, 1985

**PUBLIC SCHOOL CONSTRUCTION PROGRAM
RECENT HISTORICAL FUNDING PATTERN**

FISCAL YEARS 1983 - 1986

<u>Fiscal Year</u>	<u>Amount Requested to I.A.C.</u>	<u>% Approved by General Assembly*</u>	<u>% Rejected by I.A.C. Due to Fiscal Constraints</u>	<u>% Rejected by I.A.C. For Other Reasons</u>
1983	\$ 47.4	67.5%	6.3%	26.2%
1984	58.3	37.8	12.9	49.3
1985	84.6	42.6	53.3	4.1
1986	90.2	38.4	29.0	32.6
TOTAL	\$280.5	44.2%	29.2%	26.6%

*Includes contingency fund appropriation.

Prepared by: Department of Fiscal Services, September, 1985

APPENDIX A

**RULES, REGULATIONS, AND PROCEDURES FOR THE ADMINISTRATION
OF THE SCHOOL CONSTRUCTION PROGRAM**

APPENDIX A

RULES, REGULATIONS, AND PROCEDURES FOR THE ADMINISTRATION OF THE SCHOOL CONSTRUCTION PROGRAM

(Accepted & Approved: June 10, 1981 - Board of Public Works)
(Amended: September 21, 1982)

1. INTERAGENCY COMMITTEE

There shall be an Interagency Committee on School Construction (hereafter referred to as the Committee), which shall consist of the Secretary of State Planning, the Secretary of General Services, and the State Superintendent of Schools, or their respective designees. The State Superintendent of Schools or the Superintendent's designee shall chair the Committee. The Committee shall be responsible for the appointment of an Executive Director with the approval of the Board of Public Works. All decisions of the Committee are to be by majority vote except as provided in Section 4 below. The Committee shall assemble, amend, and keep up to date an annual and a five-year program of elementary and secondary school capital improvements funded or to be funded by the State, including remodeling of school facilities as defined herein. The annual program shall contain the maximum state participation in the cost of each project.

2. DEFINITION

Wherever in these regulations the term "local boards" is used, such term shall be construed to refer to the Boards of Education of the several counties and Board of School Commissioners of Baltimore City except that where the charter, local law, or ordinance of Baltimore City allocates any function to the Board of Estimates or the Mayor and City Council, the term "local board" when used in connection with such function shall be construed to refer to the appropriate authority. However, all prerogatives allowed to the Committee for prior review and approval as prescribed and required herein shall not be abrogated on account of the title of school property and the improvements thereon being in the name of the Mayor and City Council of Baltimore.

3. EDUCATIONAL FACILITIES MASTER PLAN

- a) As a condition of the receipt of state project approval and/or school construction funds, each local board of education shall prepare, submit and annually amend its school system's educational facilities master plan.
- b) The master plan and amendments thereto shall be reviewed by the Committee as to format, content, and completeness as described in the Public School Construction Program Administrative Procedures Guide.

- c) The Committee will notify the LEA in writing of its comments noting any objections or exceptions it has to the educational facilities master plan. This planning document together with its annual amendments submitted by the LEA and the aforementioned Committee comments becomes the plan of record.
- d) The annual and subsequent five year capital improvement program submitted by each local board of education shall be consistent with the current educational facilities master plan of record. The Committee may recommend to the Board of Public Works the disapproval of any school construction project that is not consistent with the current master plan of record.

4. STATE CONSTRUCTION PROGRAM

Prior to September 15 of each year, the Committee shall inform each local board of the amount of estimated capital funds available for the upcoming fiscal year. Each local board shall submit to the Committee by December 7 of each year its updated and detailed capital improvement program for the following fiscal year, to be accompanied by school capital improvement program for the ensuing five years, both of which shall have been approved by the appropriate local governing bodies. The Committee shall recommend approval or, in consultation with affected local boards, modification of the capital improvement programs, and forward a consolidated State program for the following fiscal year to the Board of Public Works to be acted on at the Board's January meeting. In the event the Committee is unable to reach unanimous agreement on any aspect to the consolidated program, the final recommendation to the Board of Public works shall be as determined by the Governor. Amendments to the consolidated State program which a local board deems it necessary to submit during the course of the year shall also be subject to approval by the Committee and the Board of Public Works.

5. MAXIMUM STATE PROJECT ALLOCATION

The Committee shall establish a maximum State construction allocation which is the maximum State participation for each project when it is being considered for inclusion in an annual capital improvement program for construction funding as follows:

- a) The maximum State construction allocation shall be based on the product of the latest adjusted average statewide per square foot cost of construction for schools in Maryland and the approved area allowances for the project as limited by the PSCP capacity and space formula and these rules and regulations.
- b) The average per square foot cost of school construction based on the best cost experience of schools constructed in the prior year(s) shall be published by the Committee at least annually. The per square foot construction cost shall include site work, and the per square foot building cost shall exclude site work.

- c) The maximum State construction allocation shall also include adjustments for inflation to time of bid, regional cost differences, and a percentage for contingency as determined by the Committee.
- d) The maximum State allocation for a project shall be reviewed before the Committee and the Board of Public Works prior to approving the capital improvement program. Once the allocation is established as prescribed herein and included in an annual capital improvement program and approved by the Board of Public Works, it cannot be increased and shall not be subject to appeal, Section 10 notwithstanding.
- e) The approved allocation for the purchase of movable equipment as allowed in Section 6h shall be in addition to the maximum State construction allocation.

6. ELIGIBLE EXPENDITURE

State participation in the contract costs of the following types of capital improvements shall be eligible if approved in accordance with these regulations:

- a) For a new school, first-time site development ten feet beyond the building perimeter and including but not limited to outdoor educational facilities, demolition, landscaping, paving, fencing, water, electric, telephone, sanitary, storm, grading, seeding, sodding, erosion control, and fuel services.
 - a-1) The maximum State construction allocation as indicated in Section 5 shall be computed to include 12 percent of the building cost for site development.
 - a-2) The LEA may request that the IAC approve an expenditure in excess of the 12 percent of the building cost for site development provided that the maximum State construction allocation is not exceeded.
 - a-3) This does not preclude a local board of education from paying site development costs in excess of those allowed herein.
- b) New schools that can be justified because of growth or population shifts.
- c) An addition(s) to an existing school building such as: classrooms, media center, art and music facilities. This category excludes any alteration of the existing building except for that limited work required to physically integrate the proposed addition(s) into the existing facility.

- d) A new building or part thereof to replace an existing obsolete school or part thereof in use for 40 years or more. Obsolescence shall be based on educational program requirements and/or structural considerations as determined by the Committee.
 - d-1) The board of education has the option to request the Committee to consider, in lieu of replacing a school building over 40 years old, the renovation of such building, providing life cycle and cost benefit studies demonstrate the economic feasibility of modernization over replacement, and providing the total renovation construction cost does not exceed the cost of an equivalent new building which does not include the costs of site development, demolition, and air conditioning.
- e) The modernization or remodeling of an existing school building, in whole or part, with the following exceptions and limitations:
 - e-1) Alteration, modification, or renovation to existing school buildings or portions thereof in use for 15 years or less from the date of occupancy shall not be eligible for State participation in the costs of construction.
 - e-2) Except as allowed in (d-1), the Committee shall establish a maximum cost of construction for remodeling a school building or parts thereof. The maximum State construction allocation shall be based upon the product of the "building cost" per square foot, the number of square feet approved for the project, and the following percentages:
 - e-2-a) For an approved building addition or replacement of a portion of a building over 40 years of age - 100 percent with this product increased by 12 percent for site redevelopment.
 - e-2-b) For alterations within a building or portion thereof which has been occupied:
 - . 41 years or more - 85 percent
 - . from 26 to 40 years - 60 percent
 - . from 16 to 25 years - 50 percent
 - . for 15 years or less - 0 percent
 - e-3) The maximum State construction allocation for modernization and remodeling shall include the costs of demolition, site development, and an amount for change orders.
 - e-4) The LEA may request that the IAC approve an expenditure in excess of 12 percent of the building cost for site redevelopment provided that the maximum State construction allocation is not exceeded.
 - e-5) If there is a substantial change in the type of general use proposed for the school, then a maximum gross area allowance greater than that provided for by Sections 5a and 6e-2 may be allowed by the Committee.

- f) Change orders to approved construction contracts not to exceed 1 1/2 percent of the State participation in the contract.
- g) Initial built-in equipment as defined in the Public School Construction Program Administrative Procedures Guide.
- h) As limited herein initial movable equipment as defined in the Public School Construction Program Administrative Procedures Guide and applied to the "building cost" in the maximum State construction allocation as follows:
 - h-1) For elementary, middle, and junior high schools, the movable equipment cost for State payment shall not exceed 5.5 percent of the cost of building construction.
 - h-2) For high schools and special education schools, the movable equipment cost for State payment shall not exceed 6.5 percent of the cost of building construction.
 - h-3) For vocational/technical schools/centers, the movable equipment costs for State payment shall not exceed 15 percent of the cost of building construction.
 - h-4) In determining building construction cost, site development costs and regional building cost adjustments shall be excluded.
- i) Installing by moving and relocating modular relocatable classroom buildings.
- j) Relocating on-site utilities as required to eliminate interference with the building construction.
- k) Expanding existing on-site sewer or water systems to accommodate additional student capacity.

7. INELIGIBLE EXPENDITURES

The following types of capital improvements and related expenditures will not be funded by the State and shall be assumed as a local responsibility:

- a) Contracts for the construction of regional or central administrative offices, warehousing, resource, printing, vehicle storage, or maintenance facilities.
- b) A/E or other consultant fees.
- c) Related construction costs such as: permits, test borings, soil analysis, bid advertising, water and sewer connection charges, topographical surveys, models, renderings, or cost estimating.
- d) Cost of acquisition or purchase of sites.

- e) Cost of leasing or purchasing of facilities for school use.
- f) Relocation costs for occupants of a site.
- g) Salaries of local employees.
- h) Administrative costs for developing master plans, programs, educational specifications, inspection of construction, or equipment specifications.
- i) The costs of furnishing and installing movable equipment in excess of the percentages developed in Section 6h.
- j) Art work required by local ordinance.
- k) Cost of owner's liability and builder's risk insurance.
- l) Except as allowed in Section 6k, the costs of replacing the existing on-site water or sewer treatment systems, such as, but not limited to, septic systems, disposal fields, wells, storage tanks, or pumps.
- m) Costs of an individual contract expressly for maintenance, repair, replacements, and/or code corrections.
- n) Off-site development costs beyond the property line.
- o) All construction costs for work, whether in new construction, alterations, or additions, site development or redevelopment, in excess of the State approved maximum allocation.

In any case where a local board desires to proceed with a capital improvement project, or part thereof which is ineligible for State funding, the Committee shall determine the added cost to the approved project generated by the ineligible aspects, and the local board may proceed with the project but without State funding for the added cost.

8. COOPERATIVE ARRANGEMENTS

Cooperative arrangements for sharing facilities among two or more school systems, or among educational and non-educational governmental agencies, shall be encouraged. The Committee shall determine what part of the cost of constructing such facilities is fairly assignable to educational agencies, and such part shall be eligible for State payment.

Cooperative arrangements for the use of school facilities for community or recreational purposes shall be encouraged. In every case, only that share of capital improvement costs which, in the judgment of the Committee, is fairly assignable to educational purposes, as distinguished from recreational or community purposes, shall be eligible for State payment.

9. REVIEW AND/OR APPROVAL OF SITES, BUILDINGS, CONSTRUCTION PLANS, AND CONTRACTS

- a) No project shall proceed to planning with an architect/engineer, anticipating State funding for construction, until such project has been considered by the Committee and included in an approved annual capital improvement program as required in Section 4.
- b) The Committee shall review and approve: 1) all proposals for the acquisition or disposition of school sites or buildings; 2) the architectural program and schematic plans for school capital improvement projects for which State payment of costs is sought; and 3) all awards of construction contracts by the local board funded under this program.
- c) A capital improvement project shall proceed as a State funded project when the construction contract award has been approved in writing by the Committee or the Board of Public Works as prescribed herein. If the Committee does not approve the contracts and proposals as submitted, it shall state in writing the reasons for its disapproval.
- d) Design development and construction documents will be reviewed by the IAC staff and its written comments communicated to the local educational agency. Such comments will be advisory only and basically for verification of funding sufficiency. The LEA has the sole responsibility for bidding a project within the State and local allocations.

10. APPEALS

Whenever a local board or governing body wishes to appeal any decision of the Committee, such party, after giving notice to the Committee, may appear at the next meeting of the Board of Public Works, and, after hearing a presentation of the opposing views, the Board shall make a final determination.

11. COMMITTEE GUIDELINES AND PROCEDURES

The Committee shall have the responsibility for prescribing administrative procedures, guidelines, and forms to be used by local boards desiring State payment of the costs of a school capital improvement project.

12. SELECTION OF ARCHITECTS AND ENGINEERS

The plans, specifications, and related documents for each construction project must have been developed under the supervision and responsibility of an architect or engineer who is licensed or registered in the State of Maryland. Selection of the architect or engineer shall be made by the local board. The Committee shall be notified of the architect selected, and a copy of the approved A/E Agreement shall be filed with the Committee. However, the local A/E Agreement shall include, as terms of the contract, provisions for cost control, life cycle costing, energy conservation, a fixed limit of

construction cost, and Committee review and/or approval, as described herein, of the schematic, design development, and construction documents.

13. SUBMISSION OF SCHEMATIC DESIGNS AND DESIGN DEVELOPMENT DOCUMENTS

The schematic designs prepared by the architect shall be reviewed and approved by the Committee. The design development documents approved by the local board shall be submitted to the Committee for review and comment. The design development documents shall demonstrate cost effectiveness. Energy consumption efficiency, as substantiated by life cycle cost studies, must be approved by the Department of General Services as required by Article 78A, Section 25A-25F, Annotated Code of Maryland. Within thirty (30) days of submission the local board shall be notified in writing of the comments and recommendations of the Interagency Committee staff.

14. CONSTRUCTION DOCUMENTS

The construction documents shall be submitted to the Committee for final review and comment, and for comparison with the project's approved maximum State construction allocation and authorization to bid. The documents shall include all necessary approvals by appropriate State and local fire, health, sediment control and storm water management agencies; such approvals to be final subject to subsequent inspection as to compliance. Alternates should be established to enable the award of a contract within the available State and/or local funds. Comments in writing by the Committee staff shall be based upon the construction documents submitted and shall not be construed to include any subsequent changes in the construction documents.

15. AWARDS OF CONTRACTS

Awards of contracts shall be made by, and in the name of, the local board to the lowest responsible bidder meeting the requirements of the bidding documents in accordance with the Public School Laws, after the award of contract has been approved by the Committee. If the lowest responsible bidder's proposal exceeds the maximum State construction allocation, the local jurisdiction can (a) supplement the State allocation (and assume responsibility for all change orders), (b) revise and rebid (with no subsequent adjustment in state funds), or (c) cancel the project. Each local board shall adopt procedures for prequalification of bidders on contracts, and an attempt to include minority business enterprises in contracts. The Committee shall assist in the development of such procedures. Contracts and Requisitions for Payment shall be in a standard form. Construction contracts shall include a performance and payment bond payable both to the local owner and to the State. The State shall not pay any fees for local building permits and shall not require any local board to obtain a building permit as a condition of approval unless the local subdivision requires it. Local boards shall be required to furnish adequate inspection of all construction projects. During construction, the Committee may arrange for periodic inspection by State inspectors of the project.

16. METHOD OF PAYMENT

Each local board shall submit to the Committee, on or before the tenth calendar day of each month, a projection of its anticipated expenditures for the current month. Projection shall be submitted by project. Each local board shall forward to the Committee a copy of all construction payments along with change order and related bills subject to State funding and a certification of work actually performed. Any necessary adjustments in State advanced cash shall be reflected in the current month's payments.

17. REVERSIONS

Any project approved for funding with an allocation in the State Public School Construction Capital Improvement Programs of record which has not been contracted for within two years from the effective date of approval shall be deemed to be abandoned. If justified by unusual circumstances, the Committee, with the approval of the Board of Public Works, may extend the allowable time for placing a project under contract. The amount of the unexpended allocation for such an abandoned project shall be transferred to the Statewide Contingency Account of the fiscal year in which the project was approved for funding, and the project shall be removed from the State Public School Construction funding accounts. To be considered for reinstatement, the project must be submitted as a new project in a succeeding fiscal year's annual capital program as required under Section 4.

18. EFFECTIVE DATE

The foregoing rules, regulations, and procedures shall become effective July 1, 1981, except that established allocations for construction and equipment shall not be modified and limitations, if any, in effect at the time of establishing the allocation(s) shall prevail.

The educational facilities master plans described in Section 3 shall be submitted by each local board of education by July 1, 1982.

